

# A Guide To Buying Your **First Home**



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# Top Reasons To Own Your Home



## Accomplishment



Feeling a sense of achievement and pride

## Loved Ones



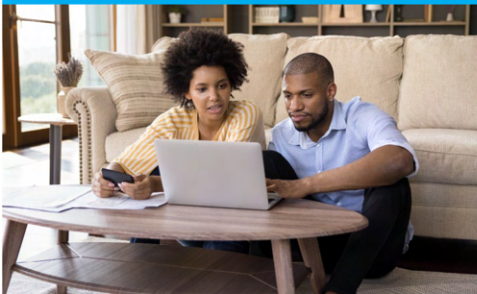
Prioritizing the needs of those closest to you

## Stability



Locking in your monthly housing payment with a fixed-rate mortgage

## Financial Investment



Growing your assets and net worth

## Comfort



Enjoying features that enhance your lifestyle

## Privacy



Having a space that's your own

## Personal Expression



Tailoring your home to your unique style

## Community



Being a part of a broader social group

If you're ready to buy a home, let's get the process started today.





# How To Kick Off the Homebuying Process

*Buying a house can feel like a daunting task. It involves a lot of different factors, including everything from loan qualification and credit checks to appraisals, legal contracts, and more. It can all feel a little unapproachable, especially if you've never done it before. But it doesn't have to be that way.*

## **Acknowledge This Once-in-a-Lifetime Achievement**

As you take the first steps on this journey, focus on the excitement you feel. Homeownership changes lives – it's that simple. It gives you more stability, more stake in the community, and a greater sense of pride and accomplishment.

Don't worry – no one expects you to know everything about the process up front. Instead, focus on your homebuying goal and how achieving it will change your life. Let the experts help you along the way with the finer details. Your job is to think about what you want, what you need, and who's going to help you achieve your goal.

## **Build Your Knowledge and Your Team**

When it comes to buying your first home, seeking out information about homeownership and the homebuying process is the first step. Before you can make one of the biggest and most impactful purchases of your life, you need to understand what it takes to become a homeowner and why homeownership is so worthwhile. That's where the experts come in.

In this guide, you'll find expert insights and research to help you learn how to get started, what you need to know, and what you can expect from the process. That way, you'll have confidence as you take this important step forward.



## Understand the Key Pieces of the Puzzle

Another thing to remember is that you may also need to overcome some of the hurdles that you feel are holding you back.

Any time you make a big life decision, it's human nature to have concerns or look for reasons you're not ready. In the rest of this guide, you'll explore some of the main things that could be holding you back, including:

- *Student Loan Debt*
- *Down Payments*
- *Beliefs on Renting vs. Buying*

You'll find out what's true and what's not. That way, if you're on the fence about whether you want to buy, or you're just kicking off your journey into homeownership, you'll have the information you need to make an informed decision.

### Bottom Line

*If you're thinking about homeownership, make sure you have the information you need to make your decision. Let's start by breaking down the top three myths that could be holding you back.*







# Myth 1: My Student Debt Means I Won't Qualify

*If you have student loans and are looking to buy a home, you may be wondering how that debt could impact your plans. Do you have to wait until you've paid off your loans? Or could you qualify for a home loan with that debt? To give you the answers you're searching for, let's take a look at what recent data shows.*

## **Do You Have To Delay Your Plans Because of Student Loans?**

If you're worried your student loan debt means you have to put your homeownership goals on hold, you're not alone. In fact, many first-time buyers in this situation believe they have to delay their plans. According to data from the *National Association of Realtors* (NAR):

*"When asked specifically about purchasing a home, **half of nonhomeowners say student loan debt is delaying them from purchasing a home (51%).**"*

When asked why their student loans are putting their plans on the back burner, three key themes emerge:

- **47%** say their student loans make it harder to save for a down payment
- **45%** say they think they can't qualify for a home loan because of existing debt
- **43%** say they believe the delay is necessary even though they've never applied for a mortgage

No matter which reason resonates most with you, you should know a delay may not be necessary. While everyone's situation is unique, your goal may be more within your reach than you realize.





## Can You Qualify for a Home Loan if You Have Student Loans?

In the same report from NAR, data shows many current homeowners have student loan debt themselves:

*“Nearly one-quarter of all home buyers, and 37% of first-time buyers, had student debt, with a typical amount of \$30,000.”*

That means other people in a similar situation were able to qualify for and buy a home even though they also had student loan debt. You may be able to do the same, especially if you have a steady source of income. *Apartment Therapy* drives this point home:

*“... buying a home with student loans is possible, experts say. The proof is in the numbers, too: Some 40 percent of first-time homebuyers have student loan debt, according to the NAR study.”*

**The key takeaway is, for many people, homeownership is achievable even with student loans.**

The best way to make a decision about your goals and next steps is to talk to the professionals. A real estate advisor can walk you through your specific situation, your options, and what has worked for other buyers like you.

They can also connect you with other professionals, such as a trusted lender, who can help. You don't have to figure this out on your own – lean on the experts so you have the information you need to make the right decision for you.

### Bottom Line

*Many other buyers with student loan debt are already achieving their homeownership dreams. Maybe it's time to take the next step toward making yours a reality too. Let's connect to discuss your options and find out how close you are to achieving your goal.*





## Myth 2: I Need To Have a 20% Down Payment

*If you're planning to buy your first home, then you're probably focused on saving for all the costs involved in such a big purchase. One of the expenses that may be at the top of your mind is your down payment.*

### **A Common and Costly Misconception**

If you're intimidated by how much you need to save for your down payment, it may be because you believe you must put 20% down. That doesn't necessarily have to be the case. As the *National Association of Realtors (NAR)* notes:

*"One of the biggest misconceptions among housing consumers is what the typical down payment is and what amount is needed to enter homeownership."*

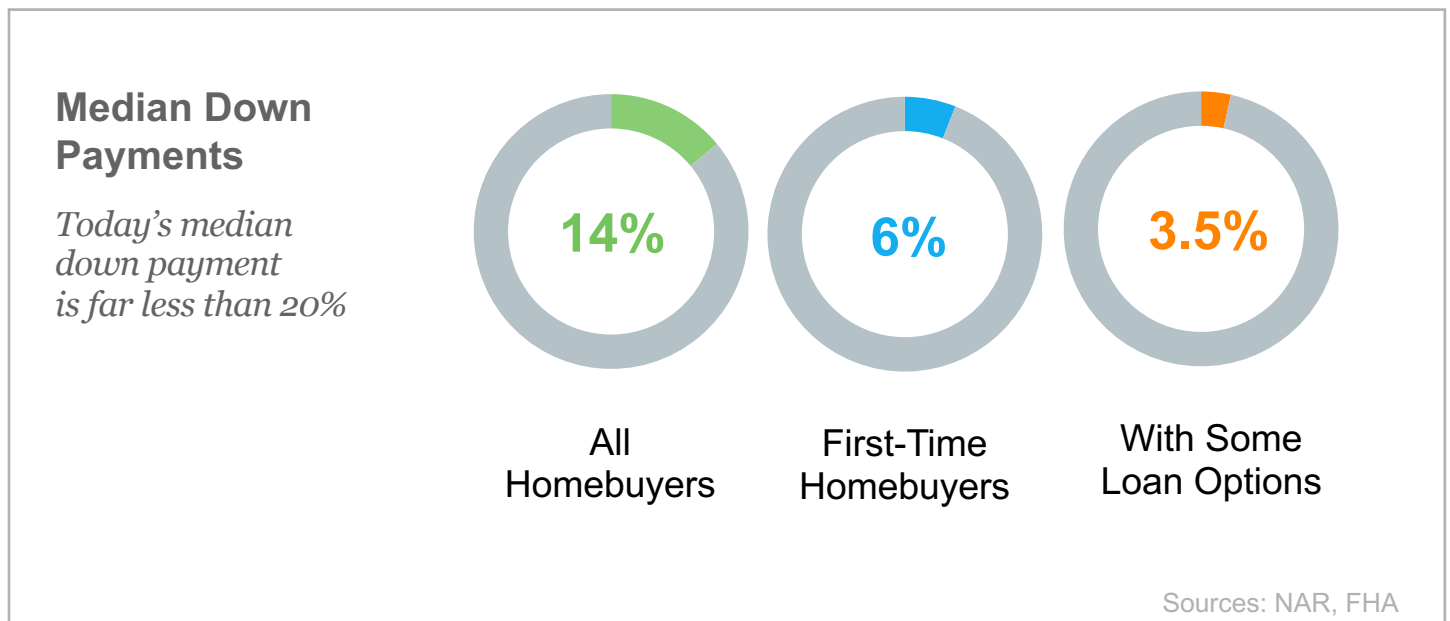
And a recent *Freddie Mac* survey finds:

*". . . nearly a third of prospective homebuyers think they need a down payment of 20% or more to buy a home. This myth remains one of the largest perceived barriers to achieving homeownership."*

**Here's the good news. Unless specified by your loan type or lender, it's typically not required to put 20% down. This means you could be closer to your homebuying dream than you realize.**



According to NAR, the median down payment hasn't been over 20% since 2005. In fact, the median down payment for all homebuyers today is only 14%. And it's even lower for first-time homebuyers at just 6% (see graph below):



## What Does This Mean for You?

**It means you may not need to save as much as you originally thought.**

And it's not just how much you need for your down payment that isn't clear. There are also misconceptions about down payment assistance programs.

According to *Down Payment Resource*, there are over 2,000 homebuyer assistance programs in the U.S., and the majority are intended to help with down payments.

Plus, there are even loan types, like FHA loans with down payments as low as 3.5% as well as options like VA loans and USDA loans with no down payment requirements for qualified applicants.

If you're interested in learning more about down payment assistance programs, information is available through sites like *Down Payment Resource*. Then, partner with a trusted lender to learn what you qualify for on your homebuying journey.

### Bottom Line

*Remember, a 20% down payment isn't always required. If you want to purchase a home this year, let's connect to start the conversation about your homebuying goals.*

# Myth 3: Renting Makes More Financial Sense

*You may have heard some people say it's better to rent than buy a home right now. But, even today, there are lots of good reasons to become a homeowner. One of them is that owning a home is typically viewed as a good long-term investment that helps your net worth grow over time.*

## Homeownership Builds Wealth Regardless of Income Level

You may be surprised to learn homeowners across various income levels have a much higher net worth than renters who make the same amount. Data from *First American* helps illustrate this point (see graph below):

### Homeowners Build Wealth Across Incomes

*Net Worth Is Greater for Homeowners in Each Income Category*

Income Level	Owner Net Worth	Renter Net Worth	Difference
\$46 - \$74K	\$191K	\$11K	<b>\$180K</b>
\$74 - \$127K	\$261K	\$34K	<b>\$227K</b>
\$127 - \$192K	\$433K	\$117K	<b>\$316K</b>
> \$192K	\$1.6M	\$705K	<b>\$895K</b>

Source: First American





What makes wealth so much higher for homeowners? A recent article from *Realtor.com* says:

*“Homeownership has long been tied to building wealth—and for good reason. Instead of throwing rent money out the window each month, owning a home allows you to build home equity. And over time, equity can turn your mortgage debt into a sizeable asset.”*

Basically, the wealth you accumulate when you own a home has a lot to do with equity. As a homeowner, equity is built up as you pay down your loan and as home prices appreciate over time. Mark Fleming, Chief Economist at *First American*, explains how this same benefit isn't true for renters in a recent podcast:

*“Renters as non-homeowners gain no wealth benefit as home prices rise. That wealth actually accrues to the landlord.”*

Before you decide to sign another rental agreement, now is a good time to think about whether it would be better for you to buy a home instead. The best way to figure out what makes sense for you is to have a conversation with a real estate expert you trust. That professional can talk you through the benefits that come with owning to determine if that's the right next step for you.

## **Bottom Line**

*If you're not sure whether to keep renting or to buy a home, know that owning a home, no matter how much money you make, can help build your wealth. Let's connect to get started on the path to homeownership.*





## ESSENTIAL INFORMATION

Now that you're excited about homeownership and we've cleared the hurdles that could be holding you back, let's get tactical. Here's a look at several key terms you'll need to know and some essential information on what to expect from the homebuying process.





# Key Terms To Know When Buying a Home



## Affordability

A measure of whether someone earns enough to qualify for a loan on a typical home based on the most recent price, income, and mortgage rate data. When home prices and mortgage rates are higher, it can impact affordability.



## Appraisal

A report highlighting the estimated value of the property completed by a qualified third party. Lenders rely on appraisals to validate a home's value and ensure they're not lending more than the home is worth.



## Closing Costs

The fees required to complete the real estate transaction. Paid at closing. Ask your lender for a complete list of closing cost items, including points, taxes, title insurance, and more.



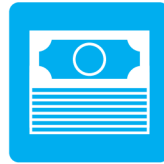
## Credit Score

A number ranging from 300–850 that's based on an analysis of your credit history. This helps lenders determine the likelihood you'll repay future debts.



## Down Payment

Down payments are typically 3.5–20% of the purchase price of the home. Some 0% down programs are also available. Ask your lender for more information about what you may qualify for.



## Equity

The value of your home above the total amount of liens against your home. Many homeowners are realizing they have more equity than they thought and they're using it to move.



## Inspection Contingency

A provision in a contract requiring an inspection to be completed. This essential step gives you information on the home's condition and potential repairs.



## Mortgage

A loan using your home as collateral. It also may be used to indicate the amount of money you borrow, with interest, to purchase your house. The amount of your mortgage often is the purchase price of the home minus your down payment.



## Mortgage Rate

The interest rate you pay to borrow money when buying a home. As mortgage rates fluctuate, consult a lender so you know how it can impact your monthly mortgage payment.



## Pre-Approval Letter

A letter from a lender that shows what they're willing to lend you for your home loan. This, plus an understanding of your savings, can help you decide on your target price range.

# Your Journey to Homeownership

Here are the key milestones you'll encounter on your path to homeownership.

1

## Build Your Team

Kickstart the process by finding trusted experts to guide you along the way.



2

## Check Your Score

Find out your credit score and work to improve it by cutting down debt and spending.



3

## Boost Your Savings

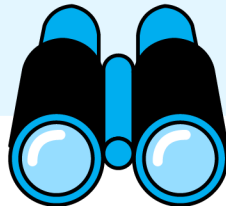
Talk to a professional about down payment options. Then set a goal and budget accordingly.



5

## Go House Hunting

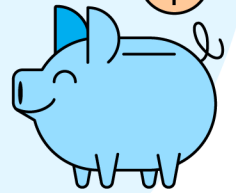
Explore neighborhoods, home types, and determine your must-haves with your agent.



4

## Know Your Numbers

Discover what you can afford based on mortgage rates, income, and more. Then get pre-approved by a trusted advisor.



6



## Make an Offer

Meet with your agent to draft your offer and negotiate with the seller.



7

## Get an Inspection and an Appraisal

Rely on the pros as they determine the value and condition of the home. Renegotiate as needed.

8

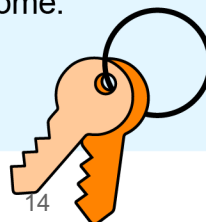
## Make It Official

On closing day, sign the final documentation and get the keys to your home.

9

## Move into Your New Home

Send in the movers because it's time to make your dream a reality on move-in day.







# Why Pre-Approval Matters

*You may have heard it's important to get pre-approved for a mortgage at the beginning of the homebuying process, but what does that really mean, and why is it so important?*

## What Pre-Approval Does for You

To understand why it's such an important step, you need to know what pre-approval is. As part of the homebuying process, a lender looks at your finances to determine what they'd be willing to loan you. From there, your lender will give you a pre-approval letter to help you know how much money you can borrow. *Freddie Mac* explains it like this:

***"A pre-approval is an indication from your lender that they are willing to lend you a certain amount of money to buy your future home. . . . Keep in mind that the loan amount in the pre-approval letter is the lender's maximum offer. Ultimately, you should only borrow an amount you are comfortable repaying."***

Basically, pre-approval gives you critical information about the homebuying process that'll help you understand how much you may be able to borrow. Why does this help you, especially today? With higher mortgage rates and home prices impacting affordability for many buyers right now, a solid understanding of your numbers is even more important so you can truly wrap your head around your options.



## Pre-Approval Helps Show Sellers You're a Serious Buyer

Let's face it, there are more people looking to buy than there are homes available for sale and that imbalance is creating some competition among homebuyers. That means you could see yourself in a multiple-offer scenario when you make an offer on a home. But getting pre-approved for a mortgage can help you stand out from other hopeful buyers.

As an article from *Wall Street Journal* (WSJ) says:

*"If you plan to use a mortgage for your home purchase, preapproval should be among the first steps in your search process. Not only can getting preapproved help you zero in on the right price range, but it can give you a leg up on other buyers, too."*

Pre-approval shows the seller you're a serious buyer that's already undergone a credit and financial check, making it more likely that the sale will move forward without unexpected delays or financial issues.

### Bottom Line

*Getting pre-approved is an important first step when you're buying a home. The more prepared you are, the better chance you have of getting the home you want. Let's connect so you have the tools you need to purchase a home in today's market.*





# Things To Avoid After Applying for a Mortgage

*While it's exciting to start thinking about moving in and decorating after you've applied for your mortgage, there are some key things to keep in mind before you close. Here's a list of things you may not realize you need to avoid after applying for your home loan.*



## 1. Don't Deposit Large Sums of Cash

Lenders need to source your money, and cash isn't easily traceable. Before you deposit any amount of cash into your accounts, discuss the proper way to document your transactions with your loan officer.

## 2. Don't Make Any Large Purchases



It's not just home-related purchases that could disqualify you from your loan. Any large purchases can be red flags for lenders. People with new debt have higher debt-to-income ratios (how much debt you have compared to your monthly income). Since higher ratios make for riskier loans, borrowers may no longer qualify for their mortgage. Resist the temptation to make any large purchases, even for furniture or appliances.

## 3. Don't Cosign Loans for Anyone



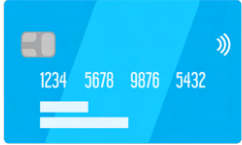
When you cosign for a loan, you're making yourself accountable for that loan's success and repayment. With that obligation comes higher debt-to-income ratios as well. Even if you promise you won't be the one making the payments, your lender will have to count the payments against you.



#### 4. *Don't* Switch Bank Accounts

Lenders need to source and track your assets. That task is much easier when there's consistency among your accounts. Before you transfer any money, speak with your loan officer.

#### 5. *Don't* Apply for New Credit



It doesn't matter whether it's a new credit card or a new car, when you have your credit report run by organizations in multiple financial channels (mortgage, credit card, auto, etc.), it will have an impact on your FICO® score. Lower credit scores can determine your interest rate and possibly even your eligibility for approval.

#### 6. *Don't* Close Any Accounts



Many buyers believe having less available credit makes them less risky and more likely to be approved. This isn't true. A major component of your score is your length and depth of credit history (as opposed to just your payment history) and your total usage of credit as a percentage of available credit. Closing accounts has a negative impact on both of those aspects of your score.

#### 7. *Do* Discuss Changes with Your Lender



Be upfront about any changes that occur or you're expecting to occur when talking with your lender. Blips in income, assets or credit should be reviewed and executed in a way that ensures your home loan can still be approved. If your job or employment status has changed recently, share that with your lender as well. Ultimately, it's best to fully disclose and discuss your intentions with your loan officer before you do anything financial in nature.

### Bottom Line

*You want your home purchase to go as smoothly as possible. Remember, before you make any large purchases, move your money around, or make major life changes, be sure to consult your lender – someone who's qualified to explain how your financial decisions may impact your home loan.*





# Be Realistic About Your Desired Features

*When it comes to buying a home, you'll want to be strategic. As a first-time homebuyer, it makes sense to take a close look at your wish list and re-evaluate what features you really need.*

Take some time to consider what's truly essential for you in your first house. Make a list of all the features you'll want to see, and from there, work to break those features into categories. Here's a great way to organize your list:

- **Must-Haves** – If a house doesn't have these features, it won't work for you and your lifestyle (examples: number of bedrooms/bathrooms, distance from work or loved ones, etc.).
- **Nice-To-Haves** – These are features you'd love to have but can live without. Nice-to-haves aren't dealbreakers, but if you find a home that hits all the must-haves and some of these, it's a contender (examples: a home office, a garage, etc.).
- **Dream State** – This is where you can really think big. Again, these aren't features you'll need, but if you find a home in your budget that has all the must-haves, most of the nice-to-haves, and any of these, it's a clear winner (examples: a pool, multiple walk-in closets, etc.).




Once you've categorized it in a way that works for you, discuss your top priorities with your real estate agent. Remember to think carefully about what's a non-negotiable for your lifestyle and what's a nice-to-have that's more of an added bonus. Be sure to discuss where each feature falls with your agent. They'll be able to help you refine the list further, coach you through the best way to stick to it, and find a home in your area that meets your top needs.

## **Bottom Line**

*Putting together your list of necessary features for your first home might seem like a small task, but it's a crucial planning step on your homebuying journey today. If you're ready to find a home that fits your needs, let's connect.*

# Checklist To Determine Your Must-Haves

*Feeling motivated to make your big move? Let's start simple. Use this checklist to determine which features are most important to you in your first home.*

		 <b>Indoor</b>			 <b>Outdoor</b>
<b>Must-Have</b>	<b>Nice-To-Have</b>		<b>Must-Have</b>	<b>Nice-To-Have</b>	
<input type="checkbox"/>	<input type="checkbox"/>	Open Floor Plan	<input type="checkbox"/>	<input type="checkbox"/>	Large Backyard
<input type="checkbox"/>	<input type="checkbox"/>	Ample Storage Space	<input type="checkbox"/>	<input type="checkbox"/>	Fenced-in Yard
<input type="checkbox"/>	<input type="checkbox"/>	Updated Kitchen	<input type="checkbox"/>	<input type="checkbox"/>	Outdoor Living Area
<input type="checkbox"/>	<input type="checkbox"/>	Designated Home Office	<input type="checkbox"/>	<input type="checkbox"/>	Garden Space
<input type="checkbox"/>	<input type="checkbox"/>	Walk-In Attic and/or Finished Basement	<input type="checkbox"/>	<input type="checkbox"/>	Pool/Spa
<input type="checkbox"/>	<input type="checkbox"/>	Guest Room	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	Laundry Room			 <b>Other</b>
<input type="checkbox"/>	<input type="checkbox"/>	Room for a Home Gym	<input type="checkbox"/>	<input type="checkbox"/>	Short Commute Time
<input type="checkbox"/>	<input type="checkbox"/>	Walk-In Pantry	<input type="checkbox"/>	<input type="checkbox"/>	Access to Bike Paths or Parks
<input type="checkbox"/>	<input type="checkbox"/>	Updated Bathrooms	<input type="checkbox"/>	<input type="checkbox"/>	Near Shopping and Leisure Facilities
<input type="checkbox"/>	<input type="checkbox"/>	Garage	<input type="checkbox"/>	<input type="checkbox"/>	Near Public Transit
<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	



# Keys to Success for First-Time Homebuyers



*Buying your first home is an exciting decision and a major milestone that has the power to change your life for the better. Here are two things you can consider to help make your dreams a reality.*

## Save Money with First-Time Homebuyer Programs

Being able to pay for the initial costs and fees associated with homeownership – whether that’s getting a loan, being able to put together a down payment, or having money for closing costs – can feel like a major hurdle. Fortunately, there are a lot of public and private first-time homebuyer programs that can help you get a loan with little-to-no money upfront. *CNET* explains:

*“A first-time homebuyer program can help make homeownership more affordable and accessible by offering lower mortgage rates, down payment assistance and tax incentives.”*

To take advantage of these programs, contact the housing authority in your state and browse sites like *Down Payment Resource*.

## The Supply of Homes for Sale Is Limited, So Explore Every Possibility

It’s a sellers’ market, meaning there aren’t enough homes on the market to meet buyer demand. So, how can you be sure you’re doing everything you can to find a home that works for you? You can increase your options by considering condominiums (condos) and townhomes. *U.S. News* tells us these housing types are often less expensive than single-family homes:

*“Condos are usually less expensive than standalone houses . . . They are also less expensive to insure.”*

One reason why they may be more affordable is because they’re often smaller. But they still give you the chance to get your foot in the door and achieve your dream. Owning your home allows you to build equity, increase your net worth, and can fuel a future move.

### Bottom Line

*Today’s housing market provides some challenges for first-time homebuyers. But, there are still ways to achieve your goals, like utilizing first-time homebuyer programs and considering all of your housing options. Let’s connect so you have an expert on your side who can help you navigate the process.*



# How a Professional Supports Your Homeownership Goals

*While it may be tempting to turn to the internet for advice, nothing can replace the expertise of a true professional. Buying a home is likely one of the biggest financial decisions of your life, so it's crucial to have the right team in place.*

## A good agent will:



**Explain the ins and outs of contracts.** When it comes to buying a home, you'll sign various disclosures and contracts as part of the process. Before you give any of these legally binding documents your autograph, your agent will help explain the terms and conditions.



**Keep you up-to-date on today's market conditions.** The real estate industry is complex and dynamic. Pricing, mortgage interest rates, and demand can change often. You need someone by your side who will keep you informed on the latest trends and what they mean for you.



**Serve as your advisor in the negotiation process.** Even after the contract is signed by the seller, there's a lot of room left for negotiating terms after the home inspection and the appraisal. Your agent will handle all the back-and-forth communication that comes with it.



**Give advice and share their experience.** Let's be honest, buying a home is emotional. When your offer isn't accepted, your must-haves aren't realistic, or they suspect something is wrong, you want someone who will be honest with you. Your agent's expert advice and know-how will bring you peace of mind.





*“Buying a home is not just a financial decision. It’s also a lifestyle decision.”*

- Mark Fleming, Chief Economist, *First American*





# Let's Chat.

I'm sure you have questions about the real estate process, what to expect as a first-time buyer, and what's happening in the market too. I can help with all of those.

I'd love to talk with you about what you've read here and help you . My contact information is below, and I look forward to working with you.

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