

# BUYING YOUR FIRST HOME



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# Buying Your First Home

Buying your first home can and should be a fun, exciting experience. It will probably also be the single largest investment you ever make. For this reason, it is important to be involved and informed. The series of steps below can help eliminate much of the guesswork and make you a much more informed buyer, so that your home purchase can be joyful and set you on a path for financial prosperity.

## **Step 1: Pre-Approval is the Gold Standard for Getting Prepared**

Some buyers only get pre-qualified prior to their home search. Often times, new home buyers aren't aware that getting pre-approved gives you a competitive advantage over other buyers. And more importantly, this step gives you confidence you're shopping for homes in the correct price range given your budget and financial goals. Taking the extra step of getting pre-approved gives you two big advantages over other buyers:

### **1. You'll Never House Hunt Based Upon a 'Guesstimate'**

You will know precisely how much money you're approved to borrow... before you start shopping.

### **2. Sellers Can Rest Easy Knowing Your Offer Won't Fall Through**

Having gone through underwriting, your offer is much more reliable than competing offers, and can be a deciding factor in a Seller's final choice among their potential Buyers.

The last thing that you want to happen is to find your favorite home and make an offer that is accepted— only to find out that there is some error on your credit report that will take more time to correct than allowed by the contract sale date. You want to start looking for homes with the assurance that you are already pre-approved to buy at a certain price limit, so you can negotiate with confidence. Also, many Sellers won't accept an offer from a Buyer that has not already been pre-approved. You can easily lose a home that is in demand when other Buyers are already pre-approved and ready to buy.

## Step 2: Determine a Realistic Price Range

Your mortgage lender can determine in a matter of minutes how much of a loan you can pre-qualify for, depending upon your income and debts. Keep in mind that real estate agents and industry guidelines will often times focus on an “upward limit” price range based upon your gross income -- without taking net pay, expenses, or overall budget into consideration. In addition to the sales price of the home, also remember applicable taxes and home owners association fees may apply.

A Churchill Home Loan Specialist has the tools and training to provide you a more in-depth mortgage payment comparison and cost breakdown analysis tailored to your unique situation. With these numbers in hand, you can begin looking at homes that are in your budget, providing you more confidence that you are on the smartest financial path.

### What's the Ideal Percentage of Your Monthly Income?

Industry guidelines suggest **up to 43% of your gross income** can go toward your mortgage. But just because the industry says it's okay, that doesn't mean you should let your mortgage use that much of your income. If you follow Dave Ramsey's advice closely, you'll know that he recommends that **no more than 25% of your net monthly income** go towards your mortgage.

We find that most people can live really well if their mortgage is around 25% of net monthly take-home pay, but that decision is up to you and will be dictated based upon your unique situation.

For more guidance on this issue, speak to your Home Loan Specialist and leverage the budgeting tools offered through the Dave Ramsey team at Ramsey Solutions, such as the EveryDollar App or other resources found on [www.daveramsey.com](http://www.daveramsey.com).

## How to be sure? Give Your Mortgage a Test-Drive

If you want to see how your mortgage payment affects your lifestyle, we recommend you map it out and give it a try for a month or so.

First, think about your current rent or mortgage amount. If your new mortgage amount is going to be higher, put the difference into a separate account or savings the first of the month to simulate your new mortgage payment. Then run the numbers for your new disposable income and savings percentages. See how the new numbers affect your lifestyle and sense of security.

Once you've test-driven your estimated payment, ask yourself these questions:

- Are you able to make the payment work?
- Are you sacrificing anything to make the payment?
- Could you make that sacrifice long-term?
- Do you have enough money left over to enjoy your home and lifestyle?

If you're good to go, then congratulations! You know you handle the payment without any issues, and you're ready for your new mortgage payment responsibility.

## Step 3: Select a Realtor®

An experienced, well-qualified Real Estate Agent plays a crucial role in getting your ideal home. Showing homes is just a small fraction of what a good Realtor does for you. Normally, it is best to select a Realtor that has been recommended to you by a trusted source. Working with one person that fits your personality and listens to your home needs will help assure positive results. You also want a Realtor that has experience in your area of interest, and can tell you about the value or future marketability of the home you are interested in purchasing.

More than showing homes, your Realtor is your representative and negotiator when you find that perfect home. When other Buyers are interested in a property, a strong negotiator on your team can give you the competitive edge you need for the house you love.

If you're looking for an A-list Real Estate Agent who complements your home search objectives, let us know. We have access to some amazing Realtors, many of whom are recommended by Dave Ramsey as well. We'd love to introduce you!

#### **Step 4: Make a Checklist and View a Variety of Homes**

Before you begin searching, start with a house hunting checklist. We recommend making a checklist of all the required and 'nice to have' features. This list can be on paper (a sample is provided at the end of this ebook) or can be tracked digitally through tools like MyNest offered by Mortgage Coach®, available for download online. Use your checklist to organize your thoughts and properly assess each home.

Then, always search homes using the most up-to-date tools. The best home search tool online is Home Scouting®, offered by our friends at Home Buyers Marketing II, Inc. HomeScouting, available to download for free through Google Play and the Apple Store, allows you to search like a real estate agent as well as be alerted of any new properties or price changes on your favorite homes. This mobile app is far more up-to-date and complete than other home search tools with information refreshed daily versus other apps which can have up to a 7-day delay on new or changed property information. This product is also private, so that your personal information is never sold to advertisers (unlike the most well-known home search sites).

Don't be discouraged if you don't find the right home the first day. This can be a process, especially if it's a competitive market. Also, remember that love at first sight can apply to homes, too. The home search is often times a journey, but one that is ultimately very rewarding!

#### **Step 5: Once You Found the House That Meets Your Needs and Fits Your Budget, It's Time to Make an Offer**

When you find your dream home, view the other recently sold homes in the area and compare prices to assess the market value trends. Also, don't forget to inquire about any neighborhood associations. These groups can be very helpful to manage and maintain a nice community. But be sure to find out the monthly or annual cost as well as possible neighborhood restrictions.

Once you have a price in mind, make an offer. Your Realtor will prepare the contract and review it with you. When both parties have agreed to all terms in writing, you are on your way to homeownership!

## **Step 6: Select Your Loan Program and Lock in Your Interest Rate**

Contact your Home Loan Specialist to help you select a loan program that you understand and one that meets your financial wants and needs. Disclosures will be provided and once you indicate your intent to proceed, and appraisal will be ordered. Also, the interest rates move every day, sometimes several times per day— depending on the volatility of the market. Once you have selected a loan program, your Home Loan Specialist will work with you to determine the best time to lock your rate.

## **Step 7: Arrange for a Home Inspection By a Licensed Real Estate Inspector**

A home inspection is advisable to determine if there are any problems that wouldn't be evident to the average homebuyer. Also, have a licensed pest inspector check the home for termites and provide written reports upon inspection completion. Radon inspections are also advisable in certain parts of the country. Your knowledgeable Real Estate Agent will guide you through the need for these important screenings.

## **Step 8: Arrange for Hazard Insurance (Homeowner's Insurance)**

It is best to have this done at least 2-3 weeks prior to your closing to give the insurance company plenty of time to put a quote together. Your lender will need this to complete the loan process

## **Step 9: Consider a Home Warranty Plan**

Home warranty companies will provide for repair and replacement upon failure of eligible systems and components of your home. These plans are effective for one year from the closing date and can be part of the contract negotiations (to be purchased by either the buyer or the seller).

## **Step 10: Review Your Closing Disclosure Prior to Closing on Your Home Loan**

A Closing Disclosure will be provided at least 3 business days prior to closing. Your Home Loan Specialist will review this prior to closing so you are fully aware of the transaction.

## **Step 11: Plan Your Move Well Ahead of Time**

If you are currently renting, give your landlord at least 30 days notice before vacating. Depending on your rental agreement, you may be required to give further advance notice. Also, be sure to contact your utility companies for both properties to alert them of the account changes.

## **Step 12: Enjoy Your New Home and Stay Informed**

After you move in and get settled, it's a good idea to stay in tune with the market values in your neighborhood and keep your home well-maintained. Each year, touch base with your Home Loan Specialist and go through an Annual Mortgage Review to make sure you are on the smartest loan for your specific situation.

Ideally, you not only want to start on a smart path, but also remain on the smartest path over time. For some that means paying a little extra each month so that you can pay off your loan early and ultimately, live debt-free. For others, that means refinancing if the rates have lowered or your home values have changed so that you may save more each month. Regardless of your situation, Churchill wants to help you find the best path to eventually own your home free and clear, regardless of your starting point.

By planning ahead and staying informed, you can be more empowered to build wealth more quickly over time. Contact Churchill Mortgage to get started today.

# Key Mistakes To Avoid

Many home buyers get caught up in the frenzy of emotions and excitement, and forget to do the things that will protect them before, during, and after the buying process.

## Here Are A Few Mistakes To Avoid:

- **Not establishing a true budget** early in the process when considering a home purchase.
- **Not getting pre-approved** or “Ready to Buy” approved for a mortgage before starting your home search. Although this is not required, it is highly recommended.
- **Not using an experienced and trusted Realtor®** to help you with your search and contract negotiations.
- **Buying furniture or establishing new credit** after you have been approved. This includes new cars or even appliances for the new home. It’s best to make all large purchases after the sale is completed. Otherwise, this could invalidate your approval.
- **Failing to keep up with monthly bills and credit card payments.** Make sure to keep up with your bills throughout this process, paying all invoices on time so to that your credit score is not impacted.
- **Changing employment status or jobs.** Showing consistency with your employment is important during this timeframe.



- **Making an offer on a F.S.B.O.** (For Sale By Owner) without full knowledge of all the contingencies needed in the contract to protect you.
- **Making a buying decision based on emotion vs. information.**
- **Not having a home inspection in the timeframe designated within your contract**
- **Not having homeowner's insurance** (hazard insurance) in place at least a week prior to closing.
- **Making large deposits or opening new bank accounts** within 60 days of closing. Large deposits will trigger requests for documentation of the source of the funds and new credit may impact your credit eligibility.
- **Not purchasing an "Owner's Title Insurance Policy" at closing.** Although the lender will obtain lender's title insurance, that policy only protects the lender and is valid only for as long as the lien exists. An owners title policy protects you as the owner and ensures you have clear title for the entire time you own your property.
- **Closing on your purchase even when all of the repairs or punch list items have not been satisfied.** Once it's done, it's done. Therefore, if there are any outstanding repairs, make sure you have some kind of agreement signed in writing that these items must be completed with an escrow holdback.

Contact your Home Loan Specialist if you need help understanding these items. We find it's best to provide complete transparency and disclose your entire financial status up-front when discussing your loan with a Home Loan Specialist. We are ready to help guide you through this process so that you can feel confident you are the smartest path of homeownership.

# House Hunting Checklist

We recommend recording and tracking the homes you view to ensure you're reviewing all the features you require to live comfortably. We recommend using the MyNest mobile app, offered by Mortgage Coach®, to keep track of properties as you view them.

If you prefer paper, make photocopies of the list below to keep track of all the information about each house you tour. Then use the information to determine what house is best for you. Remember, not all of these questions may be answered on the property sheet that the Seller or Realtor gives you, so make notes.

## General Questions

House Address \_\_\_\_\_

Asking Price \_\_\_\_\_

Age of House \_\_\_\_\_

House Style \_\_\_\_\_

Number of Bedrooms \_\_\_\_\_

Number of Bathrooms \_\_\_\_\_

Square Footage \_\_\_\_\_

Size of Garage \_\_\_\_\_

Lot Size \_\_\_\_\_

Property Tax Rate \_\_\_\_\_

Storage Space \_\_\_\_\_

Room For Expansion \_\_\_\_\_

Noise Pollution \_\_\_\_\_

Sound Insulation \_\_\_\_\_

Has there been any major repairs, renovations done? If so, by Who? Warranties?

\_\_\_\_\_

Basement \_\_\_\_\_

Attic \_\_\_\_\_

Appliances Included? \_\_\_\_\_

Privacy \_\_\_\_\_

Date Roof Installed \_\_\_\_\_

Date HVAC installed \_\_\_\_\_

## Neighborhood

Attractive? \_\_\_\_\_

Quiet? \_\_\_\_\_

Clean? \_\_\_\_\_

Well-lit Street? \_\_\_\_\_

Trees? \_\_\_\_\_

## Shops Nearby

Grocery Stores? \_\_\_\_\_

Mail? \_\_\_\_\_

Walmart / Target / Etc.? \_\_\_\_\_

Gas Station? \_\_\_\_\_

Restaraunts? \_\_\_\_\_

Other? \_\_\_\_\_

## Schools

Elementary \_\_\_\_\_

Junior High \_\_\_\_\_

High School \_\_\_\_\_

Disctrict? \_\_\_\_\_

## Other Facilities

Hospital \_\_\_\_\_

Police \_\_\_\_\_

Fire Station \_\_\_\_\_

Library \_\_\_\_\_

Parks \_\_\_\_\_

Banks \_\_\_\_\_

How Long is the Commute? \_\_\_\_\_

Major Highways? \_\_\_\_\_

## Utilities

Electric/Gas \_\_\_\_\_

Water \_\_\_\_\_

Garbage / Cable / Internet / Other \_\_\_\_\_



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