A STEP-BY-STEP GUIDE TO THE

Home Buying Process

Revised May 14, 2019

Before you begin viewing properties in person, obtain a loan pre-qualification*. This will give you a good idea of how much home you can afford.

Other things to consider include:

- **Taxes** – Depending on your county and/or state's tax structure, these can vary greatly.
- **Homeowner's Association (HOA) Dues** – If you are buying a condo or townhome, you may be required to pay monthly HOA dues and/or maintenance fees.
- **Flood Insurance** – This will be necessary if your new home is in a flood plain.
- **Repairs** – If the property needs repairs, you may be able to address this in two ways. Either the seller can reduce the home's price, or you can ask the seller to carry out repairs as part of the purchase contract.

* Please keep in mind that a pre-qualification is not the same as a loan pre-approval. Ask me for details.

To help make sure your new home purchase is truly affordable, I can look at your household income and determine how much is available for monthly loan payments and other expenditures.

This is called a Debt to Income Ratio, or DTI.

- A Front End Ratio consists of:
  - The percentage of your gross monthly income required for your proposed monthly loan payments*
- A Back End Ratio consists of:
  - The percentage of your gross monthly income required for your proposed monthly loan payments*, plus
  - All other monthly bills and expenses.
- Conventional loans are approved with back end ratios of generally 45% or less.
- Government loans are evaluated on a case-by-case basis. Generally these are around 43% DTI.

*Proposed housing payments generally include principal, interest, taxes, insurance, homeowners' insurance and mortgage insurance if applicable.

From the time you decide to buy your first home to the day you receive the keys, you'll be assisted by some or all of the following people:

- **REALTOR® or Real Estate Agent** – Real estate agents can do more than help you find a home. They will assist you in negotiating the terms of your purchase with the home's seller.
- **Support Staff** – Processors and closing staff will help you collect supporting loan documents, verify your employment, and prepare for finalizing your purchase.
- **Title Company** – Staff will help ensure your home has no previous liens or claims to ownership by searching public and court records. You may also be required to buy title insurance to protect you against any future claims by other parties.
- **Insurance Agent** – Your new home will need Homeowner's or Hazard insurance coverage.
- **Attorney** – Depending on your location, you may be required to hire an attorney to carry out title claims and similar duties.

During the first stages of loan processing, you will need to provide supporting documentation to prove you have sufficient income and assets to afford the home you plan to buy. Generally, these include:

- Pay stubs for the last two or three pay periods (at least 30 days)
- Federal tax W2 or 1099 forms for the last two years
- Copies of your federal tax returns for the past two years, are generally required
- Bank and financial statements for the last two months that verify that you have sufficient assets for closing
- A fully-executed purchase agreement
- Explanation letters for any credit inquiries or address discrepancies

After your application and supporting documents are received, a loan consultant will:

- Order copies of your credit history from national credit bureaus Experian®, Equifax® and TransUnion®.
- Deliver a written Loan Estimate to you by mail, email or in person.
- Submit your application to the Processing department. An appraisal of your new home will be ordered at this time – this helps ensure you're paying a fair price.
- Eventually your application will be submitted to Underwriting for a conditional loan approval.

A professional appraiser will determine your new home’s fair market value. This is one of the **most important** steps in buying a home.

- If your home’s appraised value is equal to your contract price – your combined loan and down payment amounts – this is good news! Your loan application will proceed towards closing.

When your loan is almost final, your Closing Disclosure will be ready for review. It includes:

- Your loan amount, interest rate, and monthly principal and interest payments
- An itemized breakdown of your projected monthly payments
- Closing costs – the amount of money you'll need to produce at closing
- A chart that explains all loan costs in detail, including:
  - Origination charges
  - Services such as appraisals, title services, and survey fees
  - Taxes and government fees
  - Prepaids – Partial payments of your annual insurance premium, interest and taxes
- Additional information about your loan, including:
  - Fees that may be assessed if payments are made late
  - Acceptance of partial payments
  - Escrow account details

After scheduling your closing date, here's what you can expect:

- Your home's seller will sign documents that transfers ownership of the property to you.
- You will sign several documents related to your loan agreement and the ownership of the property.
- You will present a cashier's check to pay your loan's closing costs and any escrow payments. These costs will be in your Closing Disclosure.
- You'll receive the keys to your home.
- Time to celebrate – you're a homeowner!

Congratulations!


QUESTIONS ABOUT THE HOME BUYING PROCESS?
CALL ME.