

Buying a Home

A How - To Guide

Whatever your reasons for buying, you know that finding the right home, in the perfect neighborhood and at a cost that is within your budget can be a big task, one most people hire a realtor or spend many months chasing down information for. So we have decided write a booklet to help you in your home buying experience. We, at *New Life Developers*, sell a variety of high quality homes, but even if you don't buy from us, we hope this brochure will help you peacefully find & move into the home of your dreams and stay in your budget all at the same time☺.



Written by New Life Developers

This is exciting!

Let's get started.

This booklet can help you know what to expect during the process, and what you should prepare. It can be a long journey, but these tips and tricks should help you manage the process easily and with understanding. We hope this booklet also equips you to manage the process in a way that increases your enjoyment of the journey, as well as helps you end up with the best results. If you have any questions about this brochure, or would like to buy a home from us, please feel free to contact us anytime! Our info is at the end of the booklet. Now, let's go get you a new home!



Getting Started TIPS

Organization is essential to finding the home you desire while spending the least amount of time, energy and money. We suggest doing tasks one at a time, and keeping an electronic or physical binder that holds all the information you collect during/for this process. The binder will include financial documents for mortgages, contracts, lists on what you want in home, details about homes you have seen and more.

Google Docs & Sheets is an excellent online tool and keeps things easily accessible on a smart device. A Dollar Store binder, some notebook paper & a folder or two works great as well. Using these throughout the process will make the journey smoother, move forward faster, and help you enjoy the road to your new home.

First Task: Price

Your first true task is to discover your price range. It is usually easiest to start with how much money a bank would lend you to help you find out the maximum price of a house you can buy. Doing this before house hunting saves you time and energy, so you don't spend time looking at houses that won't end up working. On the next page is a short worksheet that will give you a pretty close estimate on what a bank would lend you. If desired, you can also just call your local bank to ask for a quote with a loan officer. They can tell you straight out what they would offer, and can set you up to start the process quickly when you are ready to commit to a certain home. A mortgage lender will want to make sure you can handle the down payment and pay a monthly mortgage payment, which is made up of principal, interest, taxes and insurance (PITI). The banker will also ask you about your income, other debts and even credit score. Even though we know it can be intimidating, we suggest doing the call to a banker before you start looking at homes, so that you find a target price range that you know you can afford and don't waste time looking at homes below or above what will be best for you.

HOW MUCH CAN I AFFORD

For a quick estimate of monthly mortgage payments for which you may qualify use the following worksheet.

You can also find a mortgage calculator for most homes posted on the web, using this link:

<https://www.nerdwallet.com/mortgages/how-much-house-can-i-afford/calculate-affordability>

Annual gross income (before taxes), Divided by number of months = Gross Income (Per/Mo) :	$\$ \underline{\hspace{2cm}} / 12$ $\$ \underline{\hspace{2cm}}$
Many lenders will not allow you to spend more than 38% percent of your monthly gross income on debt-like expenses. So try $\text{Gross Income} \times .38$. This is your Max Monthly Debt Payments every month, or at least what the bank will usually allow.	Gross Income (Per/Mo) \$ $\underline{\hspace{2cm}}$ $\times 0.38 =$ Max Monthly Debt Payment \$ $\underline{\hspace{2cm}}$
Now, find your total payments that go to other debts every month. This includes auto loans, credit cards, etc. and actually child support too. Now subtract that number from your Max Monthly Debt Payments . This number is now your estimated Max Mortgage Payment .	Total Other Debts (Per/Mo) \$ $\underline{\hspace{2cm}}$ (minus) Maz Debt = Max Mortgage Payment \$ $\underline{\hspace{2cm}}$
<i>Caveat:</i> If the Max Mortgage we just calculated is MORE THAN 28% of your gross income , it is likely the bank will not allow you to take out that much - so calculate 28% of your income to double check. It's simply Monthly Gross Income , from the first box times, (x) 0.28 Whichever number, the Max Mortgage Payment OR the Max House Expense , that is the LOWEST is your BEST estimate. The Bank will take into consideration a few other factors, but this is close! Congrats! You have your Estimated Monthly Mortgage Payment!	Gross Income Per/Me \$ $\underline{\hspace{2cm}}$ $\times .28 =$ = Max House Expense Allowance from Bank \$ $\underline{\hspace{2cm}}$ Lowest of Max Expense and Max Mortgage = \$ $\underline{\hspace{2cm}}$

In addition to the mortgage you borrow from a lender, most are required to make a cash down payment, which is a percentage of the purchase price that you pay for the home. Conventional loan down payments range from 5 to 20 percent, depending on the requirements of your lender. There are also specialized loan programs that allow for as little as 3 percent down for those who qualify. A high down payment often allows the lender to be more flexible with interest rates and closing costs. (see "Settlement –Who Pays What" on Page 9.)

FREQUENTLY ASKED QUESTIONS about the Loan Approval Process

Here are some simple FAQ's to help you understand the mortgage application process better.

What is the difference between prequalified and pre-approved?

- ***Prequalification*** is a determination of your probable ability to obtain a loan. To become prequalified, meet with a loan officer or mortgage company, they will help you determine the price you can afford, based on your monthly income and your current debts, as well as the cash you have for a down payment. ***Preapproval*** means that the mortgage lender has already verified and approved your credit and employment. Obtaining preapproval early in the process will make your offer more attractive to the seller.

What is earnest money?

- Earnest money is a “good faith” deposit submitted with your offer. This is to show the sellers that you are serious about purchasing their home. Earnest money is a required part of an offer. There is no set amount that is required, but the amount sometimes makes a difference in the negotiation process. Earnest money eventually becomes a part of the purchase, and will show as a credit to the buyers on the settlement statement drawn up by the escrow company.

What are closing costs?

- Closing costs are charges paid to various entities during the real estate transactions. They can include escrow fees. Document preparation fees, cost of loan inspection and lender fees.

What is a point?

- A point is equal to one percent of the loan principle. Some lenders charge points, in addition to interest and fees, at closing.

What is title insurance?

- Title insurance protects against loss from any defects in the legal title, liens against the property or other adverse claims. The lender usually requires title insurance.

SEARCH PREPARATION

Next, you get to make a list of everything you want in a home! This can be a fun part of the process. Dream big, and make sure you cover your housing needs as well. Here are some helpful questions to find what you want and need:

Is a master suite important?

How many bathrooms?

What about closet space?

Need a yard for kids and pets to play?

How about a fire place or bay window?

Home office?

Do you prefer a rambler or multiple story house?

Are schools important?

Access to transportation, or highways?

Garage and craft spaces?

Basement?

Neighborhood desires (safety, age of families, Home Owners Association, etc)?

Locational preferences (like near certain highways, or near a walkable downtown)?



Once you have your list, separate the essentials from the items you could do without. Put all essentials on the “Must Have” list and non- essentials on a “Want” list – and then prioritize them in order of importance. The “Must Have” list is a superb thing to use in your initial search for homes, along with your price range, and something to show your realtor if you have opted to have one. Once you have a healthy 10 or so homes that fully satisfy your “Must Have” list, then you can start narrowing down the search to the homes that have a multitude of items that are on your secondary list. Set up times to visit them- seeking out houses that have more items from your “Want” list first.

LOOKING THROUGH HOMES:

Once you have found the homes you want to view, decide how you will keep good notes as you look through them. After a while, it can become difficult to remember which features belong to which house. Some buyers make short recordings as they go along, or takes notes in their phone. The old fashion way is to take a small notebook with you, and right after (or as) you go through the home, list likes and dislikes under the homes address so it can't be confused with other places. That is always ok too😊.

Be sure that when viewing a home you look beyond the cosmetics. The home needs to be in good physical condition- and the cost of re-painting may be large or small. Ask the owner or agent questions on what improvements the home will need to be in the shape you would like it in, and make sure you understand the costs of any needed repairs. For more information on how to more thoroughly assess the homes condition, skip to the “Home Inspections” section in this booklet – the inspection is when a professional looks at the house and reports to the buyer what the true condition is. Most people do this right before signing the Purchase and Sale Agreement papers.

Lastly, we suggest you look at multiple homes even if you love the first house see. Many times it takes looking at several homes before you find the one that is really right for you, and often homes are surprising, having more to them in person than meets the eye! We don’t want you to miss out on the best home!!



I FOUND A HOME! So What Now?

Once you’ve found the best house to become your future home & have a mortgage approval, the financial and property transactions begin along with a professional home inspection. These can include a variety of paperwork and deadlines, as are listed below. If you have an agent, they will likely be highly involved in helping you navigate this. A quick google search can produce the actual sheets, but if you do not have an agent we do suggest pursuing the guidance of a realtor, qualified county official, or lawyer when completing these documents because of their importance and legal weight. But once you complete the agreements and the inspection, a date can be set for you to move into your new home!

PURCHASE AND SALE AGREEMENT

This is the contract in which you and the buyer outline the details of your property transfer. The purchase and sale agreement usually consists of the following pages:

- Earnest Money Receipt
- Financing Addendum
- Inspection Addendum
- Conditions/Disclosure Addendum
- Contingency Addendum – when appropriate
- Form (completed by you with help of your agent) *
- Addendum Outlining Special Conditions
- Lead-Based Paint Notification— when appropriate
- Agency Disclosure *
- Property Disclosure

**only in certain locations*

HOME INSPECTIONS:

Once you have decided to make an offer on the home, it is usually contingent upon a professional inspection of the entire property— including inspecting the home improvements the current seller made when preparing to sell the house. The home inspector also looks beyond the cosmetics to make sure that the homes general systems, such as the electrical wiring and more, operate properly. The inspector will also look for large repairs that are needed and report on the condition of the physical structure of the home.



The standard home inspector's report will review the conditions of the home's heating and cooling system, interior plumbing and electrical systems; the roof, attic and visible insulation; walls, ceilings floors, window and doors; foundation, basement and visible structure; cracks, water stains and any indication of wood rot.

A home inspection also points out the positive aspects of a home as well as the maintenance that will be necessary to keep it in good shape. These notes from the home inspector will be shared with you, the potential home buyer, and may sway your decision to commit to the house or lower your offering price if there are major concerns found. Remember, no home is perfect, but major issues like a damaged roof or an electrical problem are much more expensive to repair, and dangerous to leave unfixed. If major problems are found, this is a great chance to negotiate for a lower price - just make sure your new price saves you the difference equal to the costs of repairs plus the time it will take to set up the process on your side. If you have an agent, they would certainly help you negotiate through this process.

SETTLEMENT

WHO PAYS WHAT?

During the negotiation stage of the transaction a mutually agreed-upon date for closing is determined. “Closing” is when you and the buyer sign all the Purchase and Sales papers, you pay your share of the settlement fees, and the settlements are recorded. Settlement obligations vary widely due to specific contract language local laws and customs. You will need a closing agent for this one, which can be an escrow or title company, an attorney, or a county official. Prior to close, the closing agent will complete a detailed settlement statement for both buyer and seller. Your real estate agent can help you understand which of the following typical settlements will apply to you, but here are the most common ones that should be considered.

THE BUYER RECIEVES:

- Earnest Money Deposit

THE BUYER PAYS:

- One - Half of Escrow of Legal Fees (paid to closing agent for preparing the closing)
- Document Preparation Fees
- Recording and Notary Fees
- Title Search and Title Insurance (paid by either the seller or the buyer)
- Local Transfer Taxes, if any
- Repairs the buyer has agreed to
- Inspections
- Loan Fees
- Appraisal Fees
- Credit Report Fees



LET'S MOVE!

Once settlement is completed and you have set a date to move with the current home seller, then you should celebrate! The difficult legal and searching part is all done. Now you shift gears and move your items from your past home to your new home! We suggest taking lots of photos along the way, of the journey and of important items to keep memories and prevent losing things. We also suggest starting the process six to eight weeks before your move date. There are tips here if you have a moving company, and if you are moving yourself, along with info to help you if it's a long- distance move.

Six to Eight weeks before:

- Use up things that may be difficult to move, such as frozen food.
- Get estimate from professional movers or truck rental companies if you are moving yourself.
- Once you've selected a mover, discuss insurance, packing, loading, delivery and the claims procedure.
- Sort through your possessions. We suggest considering three piles if you will cut down: what you want to keep, what you want to sell and what you wish to donate to charity.
- Record serial numbers on electronic equipment and take photos/video of belongings.
- Obtain a change of address packet from the post office & complete the packet.
- Discuss tax-deductible moving expenses with your accountant and begin keeping accurate records - you'd be surprised at how much is deductible when you move!
- If you're moving to a new community, contact the Chamber of Commerce and school district and request information about services.
- Make reservations with airlines, hotels and car rental agencies if needed.

Two to Four weeks before:

- If you are moving yourself use your inventory list, or chart below to determine how many boxes you will need. Boxes can be bought at most hardware stores, or can be picked up from stores like Walmart for free if they have extra at the time.
- Begin packing non-essential items.
- Arrange for storage, if needed. If you have items you don't want to pack and move, hold a yard sale.
- Get car license reiteration and insurance in order.
- Transfer you bank accounts to new branch locations, cancel any direct deposit or automatic payments from you accounts.
- Make special arrangements to move pets and consult your veterinarian about ways to make travel safe, and even comfortable, for them.
- Have your car checked and serviced for the trip.
- Collect items from the safe deposit box.

One Week before:

- Talk to your pharmacist about transferring important medical prescriptions.
- Arrange for a babysitter on moving day if you have younger children.
- Return library books and video tapes.

- Start packing everything you can ... leave necessities and enough clothing for the week along with kitchen basics (one pan, some silverware, condiments, breakfast foods) and necessary toiletries.

Two to Three DAYS before:

- Defrost your refrigerator and freezer.
- Have movers pack your belongings.
- Arrange to have payment ready for moving company.
- Set aside Legal Documents and valuables that you do not want packed.
- Pack clothing and toiletries, along with extra clothes in case the movers are delayed.
- Pack your “First Day Box/Bag” (details below) with items you may need right away.
- Put aside and keep a box open and ready for all needed packing utility materials (below).
- If it's a long trip, give your itinerary to a friend or relative for extra safety precautions.

IMPORTANT THINGS TO PACK

PACKING MATERIALS:

- Furniture pads or blankets to protect items and moving truck
- Hand truck & Dolly
- Packing Tape
- Bubble Wrap
- Crumpled Newspapers or Packing Paper
- Scissors
- Utility Knife
- Labels
- Felt-Tip Markers
- Styrofoam ‘Peanuts’
- Plenty of Boxes
- Cleaning Supplies (so you can clean the house before exiting). Clorox, a Broom

“FIRST DAY BOX”:

- Scissors
- Utility Knife
- Local Telephone Book
- Coffee Cups
- Tea Kettle
- Instant Coffee or Tea, Soft Drinks
- Pencil and Paper
- Cash for Takeout and Tipping Movers
- Soap, Shampoo, Bath Towels
- Trash Bags
- Shelf Liner
- Paper Plates
- Snacks
- Clothing for each person, a day + PJ's
- Toilet Paper



FINALLY, MOVING DAY

It's here! Make sure you take a breath, and remember that your family, people and happy memories are more important than any other detail, timeline, or physical item. You will make it, and if your stuff gets messed up at least you can buy a new one. You can't buy your kids, spouse or friends a new heart or memory. So enjoy the journey, the goods, the bads and the uglies☺.

Here's a suggested to-do list, to make it easier:

Old Home:

- Pick up the truck as early as possible, if you are driving the truck yourself.
- Make a list of every item/box loaded on the truck, especially if you have hired movers you do not know - just in case.
- Label each box with the contents and the room where you want it to be in the new house.
- Let any movers know how to reach you on the journey, or any friends/family who are helping you move.
- Remember to eat! Plan a time to stop and pick up something 3 times today- or have it delivered.
- Double- check closets, cupboard, attic, basement and garage for any left-behind items.

New Home:

- Be on hand at the new home to answer questions and give instructions to the mover.
- Check off boxes and items as they come off the truck.
- Install new locks.
- Unpack "First Day Box".
- Unpack children's toys and find a safe place for them to play.
- Examine your goods for damage.
- ENJOY YOUR NEW ABODE!!!

HOME SWEET HOME

Once you have finally settled in, celebrate! Pizza, Dancing, Pictures...you did it! You bought a home that you will thrive in for a while, be that a few years or a whole lifetime.

We hope you love your new place, and that you get to enjoy it fully. We also hope the packing and unpacking process was not too challenging either☺. If you ever change course and need to sell a home, we have a booklet on how to effectively sell a home, and have newly constructed homes you could buy as well. Overall though, we simply hope this booklet was helpful and that your years to come are filled with God's love & peace. Thank you for reading!

GLOSSARY

ADJUSTABLE RATE MORTGAGE (ARM): Interest rates on this type of mortgage are periodically adjusted up or down depending on a specified financial index.

AMORTIZATION: A method of equalizing the monthly mortgage payments over the life of the loan, even though the proportion of the principle to interest changes over time. In the early part of the loan, the principal repayment is very low, while the interest payment is very high. at the end of the loan, the relationship is reversed.

ANNUAL PERCENTAGE RATE: The actual finance charge for a loan, including points and fees, in addition to the stated interest rate.

APPRIASAL: An expert opinion of the value or worth of the property.

ASSESSED VALUE: The value placed on property by a municipality for purposes of levying taxes.

BALLOON PAYMENT: A large principle payment due all at once at the end on some loan terms.

CAP: A limit on how much the interest rate can change in an adjustable rate mortgage.

CERTIFICATE OF TITLE: A document, signed by a title examiner, stating that a seller has a insurable title to the property.

CLOSING: The deed to property is legally transferred from seller to buyer and documents are recorded.

CLOSING COSTS: See “Settlement” or refer to “Settlement- Who Pays What” section in this Booklet.

COMMISSION: A fee (usually a percentage of the total transaction) paid to an agent or broker for services performed.

COMPARATIVE MARKET ANALYSIS (CMA): A survey of attributes and selling process of comparable homes on the market or recently sold; used to help determine a correct pricing strategy for a seller’s property.

CONTINGENCY: A condition in a contract that must be met for the contract to be binding.

CONTRACT: A binding legal agreement between two or more parties that outlines the conditions for the exchange of value (for example: money exchanged for title to property).

DEED: A legal document that formally conveys ownership of property from seller to buyer.

DOWN PAYMENT: A percentage of the purchase price that the buyers pay in cash and may not borrow from the lender.

EQUITY: The value of the property actually owned by the homeowner: Purchase price, plus appreciation, plus improvements, less mortgages and liens.

ESCROW: A fund or account held by a third-party custodian until conditions of a contract are met.

FIXED RATE MORTGAGE: Interest rates on the its type of mortgage remain the same over the life of the loan. Compare to “adjustable rate mortgage.”

FIXTURE: A recognizable entity (such as a kitchen cabinet, drape or light fixture that is permanently attached to property and belongs to the property and belongs to the property when it is sold.

HAZARD INSURANCE: Compensates for property damage form specified hazards such as fire and wind.

INTEREST: The cost of borrowing money, usually expressed as a percentage rate.

LIEN: A security claim on property until a debt is satisfied.

LISTING CONTRACT: An agreement whereby an owner engages a real estate company for a specified period of time to sell property for which, upon the sale, the agent receives a commission.

MARKET VALUE: The price that is established by present economic conditions, location and general trends.

MARKET PRICE: The actual price at which a property is sold.

MORTGAGE: A security claim by a lender against property until the debt is paid.

MORTGAGE MULTIPLE LISTING SERVICE (MLS): A system that provides to its members detailed information about properties for sale.

ORGINATION FEE: An application fee for processing a proposed mortgage loan.

PITI: Principal, interest taxes and insurance, forming the basis for monthly mortgage payments.

POINT: One percent of the loan principal. Its charged in addition to interest and fees.

PREPAYMENT PENALTY: A fee paid by a borrower who pays off the loan before it is due.

PRINCIPLE: One of the parties to a contract; or the amount of money borrowed for which interest is charged.

PRORATE: Divide or assess proportionately.

PURCHASE & SALES AGREEMENT: See “Contact,” or refer to purchase and Sale agreement ‘ in this brochure.

SETTLEMENT: All financial transactions required to make the contract final. See “Settlement – Who Pays What” section in this brochure.

TITLE: A document that indicates ownership of a specific property.

TITLE SEARCH: Detailed examination of the entire document history of a property title to make sure there are no legal encumbrances.



Contact Us Anytime!

(704) 454-7700 info@newlifedevelopers.com

Written and Produced by New Life Developers LLC