

# Your Home Buyer Guide

## *Finding & Funding Your New Home*

callannesavino.com



**Anne Savino, Licensed Real Estate Salesperson**

Dedicated to your Success

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## *Congratulations!*

You've decided that it's time to purchase your dream home. This is one of the biggest purchases you'll make and I'm delighted that you've selected me to represent you.



As your agent, I'm committed to:

- Listening to you when you describe the home you want and need,
- Searching for the homes that best match your requirements,
- Giving you time to visit enough homes so that you can make a good decision when you find the right one,
- Assisting you in making an appropriate offer,
- Negotiating for you with your interests in mind,
- Thinking creatively when assisting you so you have the best chance to have your offer accepted,
- Providing recommendations of highly qualified professionals, mortgage officers, home inspectors, attorneys, etc. throughout the home buying process,
- Helping to close the deal for you,
- Assisting with inspections & appraisal and providing other needed advice through and after closing.

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## How Much Can You Spend?

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### *Calculating Your Budget*

- **Your Total Financial Worth** - The first thing you need to document is the amount of money you'll be using to make all payments related to your home purchase. That includes your available monies, monthly salary, additional work income, income from securities and any other income that you receive. You'll subtract all your costs from your available monies and income.
- **Costs Prior to Contract** - Once you've found the home you want to buy you should schedule a home inspection. The cost of home inspection varies. There are a number of optional additional tests that you may choose to run - water testing, oil tank testing, septic testing, radon testing, and others. Each of these has an associated cost.
- **Earnest Money Down Payment** - At contract signing most buyers are required to place earnest money down. It's a deposit that's held in escrow until closing. It is refunded in the event that the contingencies spelled out in the contract are not met. It is applied to the purchase price at closing.
- **Mortgage Down Payment** - Depending on the type of mortgage you'll be getting, a down payment may be required. The down payment is a percentage of the purchase price that the buyer pays in full before closing. The larger the down payment, the smaller your mortgage will be.
- **Regular Costs** - The regular costs will include your monthly mortgage payment, insurance and taxes.
- **Closing Costs** - At closing you'll be required to cover various costs including fees for loan origination, appraisal, credit report, interest, hazard insurance, mortgage insurance, taxes, assessments, title insurance, escrow and settlement costs, notary, attorney, recording and more. It's wise to be prepared with approximate 5% of the purchase price of your home to cover these fees at closing.

## Begin At The Beginning

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### *Preparing for Your Home Search*

- **Determine How You'll Pay For Your New Home** - If you're not one of the lucky few with the cash on hand to purchase your new home you'll need to get a mortgage. This is how most homes are financed. A mortgage is an advance of funds from a lender to cover the purchase of your new property. You (the mortgagee) are obligated to pay the bank a percentage of the money lent each month until the entire amount has been repaid.
- **Cover the Down Payment and Closing Costs** - Even if you're planning to pay for your home by getting a mortgage, there will still be costs that you'll need to cover with available cash. Remember that you can't borrow these funds without its effecting the amount your bank will lend you to make your home purchase.
- **Determine Your Budget** - Analyze how much you'll be comfortable paying monthly for home mortgage and maintenance costs, plus all your other living expenses.
- **Organize Your Financials** - You'll need to accumulate documents to furnish your mortgage bank with the required financial information regarding your income, expenses and obligations.

You should have the following:

- Two most recent pay stubs,
- W-2s for the last two years,
- Federal tax returns for the last two years,
- Last two months' bank statements,
- Long-term debt information (credit cards, child support, auto loans, installment debt, etc.)

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## The Home Search Process

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### *Starting Your Search*

- **Choose Your Mortgage Loan Officer** - Ask me for a recommendation for mortgage loan officers. I'll direct you to institutions that specialize in mortgage loans to ensure that you get the best advice and treatment.
- **Get Pre-Approved** - Request a Pre-Approval Letter from your chosen mortgage lender. Since you've already prepared all the documentation you'll be prepared when you're asked to provide your financials. Continue to check your email and make yourself available by phone in case your loan officer needs clarification or additional information. This is important because when we find a home that you'd like to buy we'll need to submit the Pre-Approval Letter with your offer.
- **Start Your Home Search Online** - Today you have a variety of online services to use to find homes that match your criteria. Zillow.com, Trulia.com, Realtor.com and others are all good services. I'll provide you with an account at ListingBook.com where you can select the criteria that match your needs. ListingBook's information is sourced directly from the Multiple Listing Service (MLS). The MLS is the resource that I use when I research homes for you.
- **Make Time to Visit Homes** - Scheduling appointments to visit the homes you want to see requires planning. Homeowners require advance notice, often 24-48 hours, to make their homes available to us. We need to prepare together. The home search process sometimes requires many home visits before the right one comes along.

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## The Home Search Process

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### *What are you looking for in a home?*

Now that you have all your financial documents together, you've been pre-approved for a mortgage and you know how much you can spend on your home, we're ready to get on the road to see available homes.

**Prioritize for Success!** What's most important to you besides price & taxes?

#### **Property**

- View
- Architectural Style
- Swimming Pool
- Deck/Patio
- Garage
- Out Buildings
- Size and Type of Yard
- Type of Road

#### **Interior**

- Floor Plan
- Room Size
- Bedrooms
- Bedroom Location
- Bathrooms
- Living Room
- Family Room
- Bonus/Game Room
- Dining Room
- Kitchen
- Basement
- Doors & Windows

#### **Community**

- Convenience to Employment
- Convenience to Transportation
- Convenience to Shopping
- Convenience to Daycare
- Nearby Recreational Facilities
- Near Police & Fire Protection
- Appearance of Other Area Homes
- House Value Relative to Area

#### **Condition Issues**

- Kitchen Updates
- Bathroom Updates
- Age of Appliances
- Type & Condition of Floors
- Condition of Roof
- Landscaping
- Other Condition Issues

Take some time to consider all of these and other features that are important to you. Once you've described your dream house to me, we're ready to start our search.

## The Mortgage Process

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### *Getting Your Mortgage Approved*

Your lender will only lend you money if your credit is strong. They will check your credit, carefully reviewing your financial history, income, tax returns, pay stubs and long-term debt (such as credit cards, auto loans, child support, etc.) to ensure that you will be able to repay the loan.

If you're like most people, you may have blemishes on your credit report. Here are some ways that you can remove the mistakes that tarnish your credit and succeed in your efforts to be approved for a mortgage.

#### **DOs**

- Pay your bills on time and in full.
- Only use 2 to 4 credit cards.
- Keep a checking account and a savings account.
- Keep documentation of all large deposits.
- Stay at the same job, the longer the better.
- Notify your lender of all income changes.

#### **DON'Ts**

- Don't apply for any new credit of any kind.
- Don't consolidate your credit card balances to 1 card.
- Don't overcharge on your existing credit cards.
- Don't change or quit your job.

Now that your credit is in good shape you're ready to apply for a mortgage. Next you'll need to decide on the type of mortgage to get.

## The Mortgage Process

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### *Types of Mortgages*

There are so many types of mortgages and mortgage programs. Ask your mortgage loan officer about all of the options and how they effect your closing costs and long term costs.

- **Fixed Rate Mortgage** - This is the traditional method of financing a home. The interest rate stays the same for the entire term of the loan - usually 15 to 30 years. This means that the interest and the principal portions of your monthly payment remain fixed. With a fixed rate mortgage, your payments are stable and predictable, but initial interest rates tend to be higher with a fixed rate than with an adjustable rate.
- **Adjustable Rate Mortgage** - The interest rate on an Adjustable Rate Mortgage is linked to a financial index, such as a Treasury Security, so the interest rate fluctuates with changes in market conditions. With an adjustable rate, your payments will vary over the life of the loan. Most Adjustable Rate Mortgages have a lifetime cap on the interest rate increase to protect the borrower. The advantage of a Adjustable Rate Mortgage is that it offers lower initial payments and this makes it easier for the buyer to qualify. Some Adjustable Rate Mortgages may be converted to Fixed Rate Mortgages at specified times, usually within the first five years.
- **FHA Mortgage** - FHA mortgage loan types are insured by the government through mortgage insurance that is funded into the loan. If you're a first-time home buyer you're an ideal candidate for an FHA loan because the down payment requirements are minimal and FICO credit scores do not matter.
- **VA Mortgage** - This type of government loan is available to veterans who have served in the U.S. Armed Services and, in certain cases, to spouses of deceased veterans. The requirements vary depending on the year of service and whether the discharge was honorable or dishonorable. The main benefit is that the borrower does not need a down payment. The loan is guaranteed by the Department of Veteran Affairs, but funded by a conventional lender.

## Closing The Deal

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### *The Offer To Purchase*

Now that you have all your financial documents together, you've been pre-approved for a mortgage and you know how much you can spend on your home, we're ready to get on the road to see available homes.

- **Determining Your Offer Price** - Although the home search process can take a while, eventually we're going to find the home of your dreams. We'll review the price at which the home is listed and compare it to other homes in the area. We'll consider homes that have sold recently, homes currently in contract and homes that are still on the market.
- **Conditions That Must Be Met** - There are generally conditions that must be met. Conditions like successful home inspection, water testing, radon testing, septic testing, termite inspection, clear title, certificates of occupancy, etc. are considered normal. If any unusual conditions must be met (e.g. resolution of obvious repair issues, below ground oil tank pressure testing) we will include those among the sale contingencies.
- **Formal Offer Letter** - We'll include all information in a formal offer letter for consideration by the seller. If the price and conditions are acceptable, we'll move forward towards contract. However, if the seller would like to change any of the details the revisions will be submitted by the seller's agent and we'll negotiate until we've reached an agreement.
- **Memo Of Agreement** - Once we've reached an agreement we proceed immediately with the inspections. If no serious issues present themselves and you are ready to move forward, a Memo of Agreement is written including identifying information about you and the sellers as well as the attorneys representing both sides. That is presented to the attorneys who work out the details of the contract.

## Closing The Deal

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### *From Contract to Closing*

Once the contract has been fully executed and your earnest money deposit has been delivered to your attorney to place in escrow you'll begin working with your mortgage officer to complete the mortgage process and move to closing.

- **Schedule the Appraisal** - When your bank receives your fully-executed contract the appraisal will be scheduled. The appraisal report takes about a week to reach your bank.
- **Getting Clearance to Close** - Before you can purchase your new home your attorney and bank will do lots of work behind the scenes. A title company will be employed to determine whether or not there are any liens against the home. If there isn't an available survey, you will need to contact a surveyor. That cost can be considerable. Your bank will do necessary additional review of your credit information. Once that's completed your mortgage officer will inform you that you are clear to close.
- **The Closing** - The Closing is the meeting where the sale transaction is finalized. During the closing, settlement procedures take place.
- **Seller's Disclosure Statement** - Sometimes the seller will present a Disclosure Statement. This statement includes the age and condition of the property and provides a list of additional features. It also details any known condition issues. Frequently sellers choose an option provided by NY State Law. They may pay the buyer \$500.00 at closing in lieu of the Property Condition Disclosure.
- **The Settlement Procedure** - The settlement procedures include calculating and paying for the costs of various settlement needs, signing all the appropriate papers, the transaction of money, and the title change of the property.

## Moving In

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### *Preparing for Moving Day*

The move to your new home includes many tasks. Some are tasks related to the move out of your current home. Others are tasks related to the move into your new home. All are very important and have to happen at the right time.

- **The Final Pre-Closing Details** - Once you're sure of your closing date you should contact the companies providing your services to arrange electric meter and water meter (if applicable) readings. You'll also need to have your oil and/or gas company (if applicable) measure the amount of oil or gas remaining in the tanks.
- **Moving out** - Next you should remember to set up accounts if you will be purchasing electricity, water, television, internet, phone and other services from new companies. Make the necessary arrangements to move your belongings to your new house.
- **Moving In** - If you'll be using the same companies for your services, remember to arrange to pick up the billing for service at your new location promptly on your moving day. Contract with oil/gas supply, municipal water supplier, if needed. Move cable TV, Internet access, etc.

