



The First-Time Homebuyers Guide:

7 IMPORTANT STEPS



Buying your first home can be exhilarating – and stressful.

It's one of the biggest decisions you will make in your life; one that will impact you for years to come.

Considering all of its implications, it's easy to get overwhelmed about everything you need to know in order to buy your first home without getting yourself into financial and organizational trouble. Fortunately, it doesn't have to be that way! If you are buying a home for the first time, this guide is for you.

Step 1:

Know Your Budget Limitations

The very first thing you should do in the home buying process is determining just what you can afford. That includes knowing how much your down payment could be, along with the payment you can afford on a monthly basis. Until you know this information, it will be difficult for you to find homes you can actually afford.

So how do you determine that? There are a few things you can do. Fannie Mae recommends that buyers spend no more than 28% of their income on housing; however, of course, there are factors that play into this. That's why a good first step is to speak with a loan specialist who can help you determine your debt-to-income ratio, check your credit score and walk you through possibilities in interest rates, term limits, and monthly payments.



Calculating your debt-to-income ratio:

You'll also want to talk to a [loan specialist](#) about what all goes into your closing costs, which are typically between 2 and 5% of your home's total price – and you don't want this to be a surprise.

They'll also be able to provide you with a pre-approval letter so you know the size of the loan you'll likely be approved for – which helps you have a stronger bargaining position when house hunting.



Step 2:

Be Informed: Know The Lingo

One important distinction you should know is the difference between fixed and adjustable interest rates.

As the names suggest, fixed interest rates stay the same throughout the duration of your loan (usually 15 or 30 years). Fixed rates are important when you need to know exactly what your payment will be over a lengthy period of time. Choose longer durations to have a lower payment but pay off more slowly. Shorter durations ensure you pay it off more quickly, but will come with a higher monthly payment.

Adjustable mortgage rates, or ARMs, on the other hand, may be raised or lowered depending on the current economy. You may get a lower interest rate when going with the adjustable option, but you also increase the risk of a higher payment in the future. There are cases when an ARM can make financial sense, for instance, if you're only planning to own the property for 5 or fewer years.

Finally, when shopping for loans, be aware of the special loans offered specifically for first-time homeowners.

Consider that instead you may be eligible for an FHA loan, or - as a veteran or active service member - for a VA Loan. It's important that you consider all of your options - and not solely first-time buyer loans.

Certain people can also qualify for [Fannie Mae's HomeReady™ program](#) - which gives consideration to certain financial challenges.

Again, [a loan specialist can assess your goals](#) to help you select the right loan for you.

Step 3:

Start the House Hunt

Once you know both the amount you can afford and the loan for which you are approved, it's time to start the house hunt at a price point that matches both criteria - as well as meets your needs in terms of number of bedrooms and bathrooms.

TERMS TO KNOW



Fixed Rate

Fixed interest rates stay the same throughout the duration of your loan (usually 15 or 30 years).



Adjustable Rate

Adjustable mortgage rates, or ARMs, on the other hand, may be raised or lowered depending on the current economy.

Of course, this is where having a Realtor is really important –

someone who knows the market, the industry, and your needs and wants. Don't pick the first home you see (you can generally come back to it!), but looking at multiple homes allows you to get a better idea of what you can get for your price point. When looking at homes, pay special attention to its location and neighborhood – consider noise level, surrounding things like parks or grocery store availability, and of course – how it could affect your daily commute.

To make sure you get the right home, make a special effort to look 'behind the curtains' - you can always rip down wallpaper, but replacing faulty wiring in the wall is a much more difficult job.

Finally, the property on which the home stands also matters, especially as it pertains to hidden costs of which you may not be aware. A home near water may require flood insurance, while large properties can come with high taxes that add to your monthly mortgage payment.

Step 4:

Make an Offer

Once you've found the home of your dreams, it's time to make an offer. This might be the single most stressful part of your experience: how do you know the exact middle between what you're willing to pay and the seller is willing to take? The key to the right offer



is to understand it as the beginning point of a negotiation: unless you offer the full list price, chances are the seller will come back with a counter offer that lies somewhere between your offer and the original price.

Also, don't forget to add additional items like closing costs or appliances to increase the seller's flexibility. For example, they may be more willing to accept a lower price if you're willing to pay all closing costs, or to include appliances in exchange for accepting their higher counter offer. [This article](#) offers some great advice on considerations in making an offer and negotiating the price.

Step 5:

Get an Inspection

Once you and the seller have agreed on a price, you're not quite ready to close. Now is the time to make sure the home you get actually matches up with your expectations, and the safest way to do that is with a home inspection. This is an important step, both because it gives you a better idea of the home you are about to invest in, and because some lenders will only approve your loan on the condition of a successful home inspection. If at all possible, you should be present during the home inspection, as it allows the inspector to show you exactly what he found. To get a better idea of potential issues that may pop up during the inspection, [read this article](#).

No home is perfect.

Every inspector will find some issues, and it's up to you to decide how important these issues are to you. Some, like rotten wood on a screened-in front porch, are easy to fix. Others, like significant cracks in your foundation, should be more of a concern. Be honest with the sellers about the findings, and find potential solution. If the inspector found faulty electrical wiring in your home, the seller may agree to fix it in order to move the process along quickly.

Step 6:

Insure Your Home

Once the inspection has proceeded according to plan, you should begin to think about insuring your home. Again, most lenders require you to add insurance as a condition of giving you the mortgage, and many work directly with the insurance agency to roll the premium into your monthly payment. As you did when shopping for a home, be sure to get several quotes and compare them to choose the best one for your needs. If you talk directly to your car insurance, for example, they may be able to offer you a package deal and lower your premium.

Step 7:

Close the Deal

At this point, all that's left is the paperwork! You may once again feel the jitters, but this time it's only because your signature makes your decision to buy the home final. Make sure that your lender and/or real estate agent helps walk you through the process, so that you understand exactly which documents you are signing. You will receive a copy of each, of course, but getting an introductory explanation is crucial. This is also when your closing costs are due, paid by either you or the seller depending on your negotiations in Step 4.

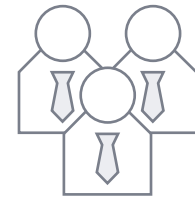
And just like that, you can own your first home!

It may have been a stressful process, but the moment you hold the key to the front door in your hand, it will have been worth the effort. Thanks for following this step-by-step guide, you can sleep well your first night knowing that you have made an investment that will benefit you now and in years to come. If you do need any help at any step in the process, we'd love to have that conversation with you.

To help you get that first home, and maybe even have some fun in the process, [contact us today.](#)

Speak with us today. Call (800) 713-4047 or apply online at TheMortgageCo.com

COMMUNITY PROGRAM



Start enjoying the benefits of being on our list! Simply sign up at the link below to join our community.



Lunch is on us

Get the best advice for purchasing, refinancing or even credit repair.



Save Money

Exclusive offers - receive free financial consultations, and more!

SIGN UP TODAY

themortgageco.com/community



the mortgage co.

7343 S Alton Way, Suite 150 Centennial, CO 80112
office (303) 300-1850 | **toll free** (800) 713-4047

.....

TheMortgageCompany.com