A guide to **buying your first home**

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Let’s get started.

If you’re like most homebuyers, buying a home is the most important financial decision you’ll ever make. So of course, you’re going to have questions. Is now the right time to buy? How much should you spend? What amount should you save for a down payment?

I can help you find the answers. As a mortgage professional, I’ve guided many first-time homebuyers through the process. I can’t tell you which house to buy, but I can explain what happens at each step of the process, the costs involved, and important deadlines you don’t want to miss.

My goals are to find the right mortgage for your unique situation and help you feel confident and informed about your decisions along the way.

This guide is a great place to start. Then, call me when you’re ready to talk about financing your new home and getting preapproved for a mortgage.

I look forward to the day that you receive the keys to your happily-ever-after home.

Who is a first-time buyer?

One-third of all homebuyers are first-timers, just like you.

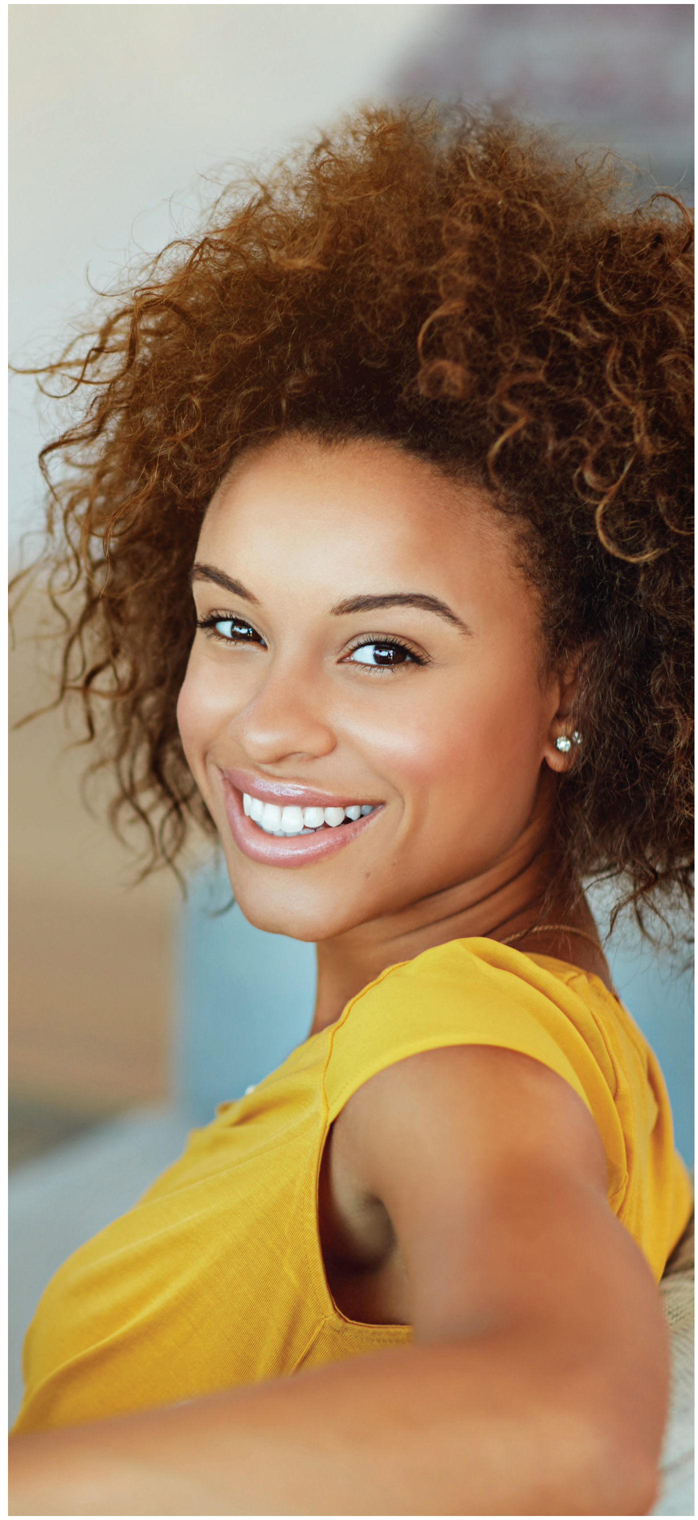
43% are Millennials

33 years old on average

93% used a mortgage

Source: National Association of Realtors® 2022 Home Buyer and Seller Generational Trends report

Top mortgage questions



How much should I save for a down payment?

Most people don't buy a home with cash. Instead, they save up as much as possible for a down payment, then get a mortgage to cover the rest. How much depends on the type of mortgage.

With a conventional loan, you may have to pay for private mortgage insurance (PMI) if your down payment is less than 20% of the home price. PMI can add several hundred dollars to your monthly payment, but you can remove it once your payments bring your contribution to 20%.

Other types of loans have low or no down payment requirements, and many states offer first-time home buyer assistance programs to keep your costs down.

Should I get preapproved for a mortgage?

Definitely. Taking the time to get preapproved offers three significant advantages:

- You'll know exactly how much you can borrow, so you can target your search.
- Sellers will see that you're serious, putting you ahead of the competition.
- Closing will go faster because you've already completed most of the paperwork.

What is the mortgage interest rate?

The interest rate is a percentage of a loan that the lender charges you to borrow money. But there's more to the story. A mortgage has an annual percentage rate (APR), which is the interest rate plus any points, fees, or other costs associated with the loan.

What are closing costs, and how much are they?

Closing is the last step in the homebuying process. It's when you sign the legal documents for your new home and mortgage. Both the buyer and seller pay closing costs to cover such expenses as the home appraisal, property tax, title insurance, and mortgage insurance. Your lender will list closing costs on your loan estimate and final documents, so there won't be any surprises.

A pre-approval is an initial determination of an applicant's ability to borrow up to a certain amount. It is based upon certain assumptions resulting from an initial review of incomplete credit information criteria. A preapproval is not an approval of a completed application nor is it a commitment to lend or a guarantee of any particular loan product, features or terms. Final loan approval follows a comprehensive analysis of an applicant's creditworthiness, the satisfaction of all product-specific underwriting requirements and conditions and property acceptability and eligibility.

What documents do I need to provide for a mortgage?

For most loans, lenders ask for:

- 2 years of tax returns
- 2 years of W-2 forms
- 30 days of pay stubs
- Documents to show other income to be considered
- 2 months of bank statements
- Investment portfolio statements

FHA, VA, and other government-backed loans may have additional requirements.

How can I get a lower mortgage rate?

Raise your credit score. A higher credit score usually leads to a lower mortgage rate, which could save thousands of dollars over the life of a loan. Get a free credit report at annualcreditreport.com to check your score. Then, focus on paying bills on time, and don't open new credit cards or use more than 30% of your current card limits.

Save up a larger down payment. The more you put down, the less risk for the lender, so they'll offer a lower rate.

Choose a shorter loan term, like 15 years instead of 30. Make sure your budget can swing it because your monthly payments are higher with a shorter loan term.

Pay mortgage points. You can pay extra money upfront in exchange for a lower interest rate. Typically, 1 point costs 1% of the loan amount and lowers the rate by 0.25%. It could be a good strategy if you have the money to pay for the points and plan to stay in the home long enough to recoup the costs (typically around 3 or 4 years).

Lock in your rate. If you've been approved for a mortgage, a rate lock will protect your interest rate for 30 days or longer. If rates increase before closing, you'll pay the lower, locked-in rate. Some lenders charge a fee for this service, so be sure to read the fine print.

How long will it take to process my mortgage application?

It could take a few weeks or as long as 60 days. To speed up the process, check and double-check that you submit the correct financial and personal documents and respond quickly to any lender requests.

Other factors that can cause a delay include a salary change, new debt, or a change in marital status. If possible, put your financial life in a holding pattern until you reach the closing table.

The Hidden Costs **of Buying a Home**

Many first-time homeowners are surprised by how much it costs to maintain a property. Here are some hidden costs that you might pay in addition to your mortgage.

Homeowners association (HOA) fees

Some condominiums, buildings, and neighborhoods have homeowners associations that enforce community standards to keep the area clean, safe, and attractive and protect property values. Many HOAs charge a fee for landscaping, parking, clubhouses, and maintaining other common areas.

Home maintenance and repairs

Home repairs are a normal part of being a homeowner, but they can be expensive. Experts recommend that you have a rainy-day fund between $5,000 and $15,000 to pay for a leaky roof, sputtering furnace, or other home repair emergencies. Protect yourself by securing a home inspection. Although it is not a guarantee, a good inspector will be able to identify potential issues or costly repairs on a home.

Homeowners insurance

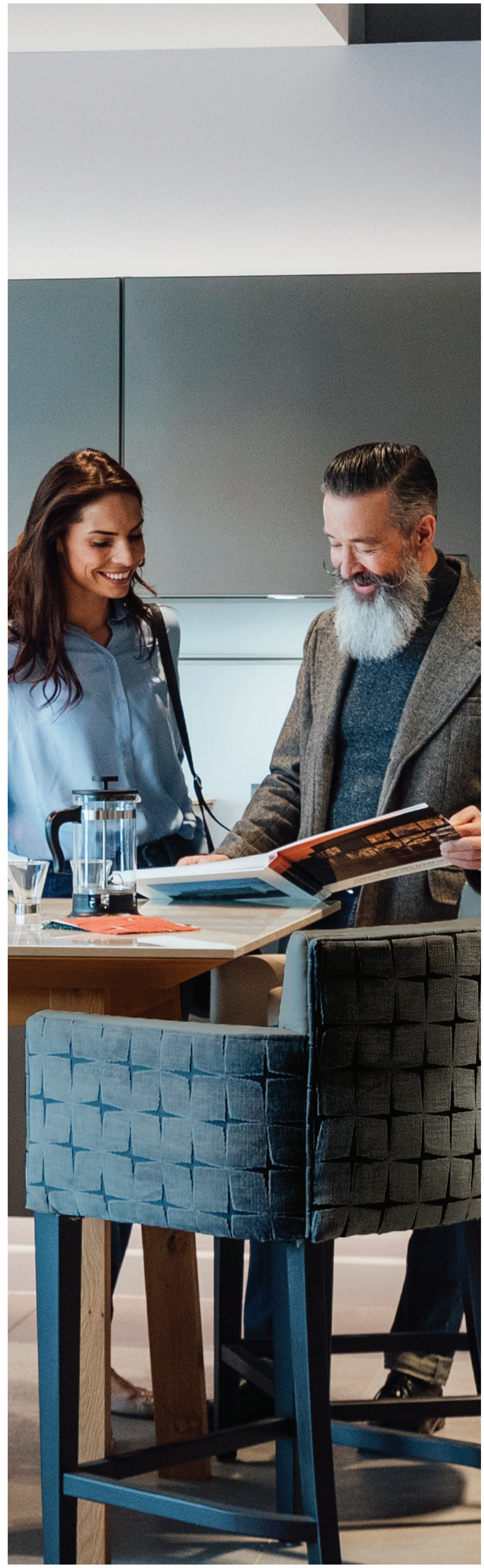
Losing your home to a fire or storm can be emotionally and financially devastating. Homeowners insurance can offset these expenses to help you start again. The national average for homeowners insurance is $149 per month, but it varies by state and the specific coverages on your policy.

Utilities

Until you know your actual costs, budget $250 a month to cover internet, electricity, gas, water, garbage pickup, and cable.

Property tax

Property tax pays for schools, police, firefighters, and other state and local services. It's so important that lenders often roll the cost into your monthly mortgage payment and then pay it on your behalf when it's due. The amount varies from a median of $587 in Alabama to $8,300 in New Jersey. Visit your city's website to find the property tax for your area.



Questions to Ask **Before Buying a Home**

Whether you call the number on a for-sale sign or talk to a real estate agent at an open house, remember that the agent works for the seller, not you. However, you can hire a buyer's agent to look out for your best interests. Both agents can answer these questions to help you learn more about a house.

What's the home's sales history?

Before you make an offer, find out when the house sold last and how much the owners paid for it. This information can let you know if the sellers are asking for way too much. Your real estate agent can also provide recent sales prices for comparable homes to help you fine-tune your offer.

Did the sellers make any major renovations or additions?

Ideally, you'll get to see the receipts to know what the owners paid for their upgrades. Your offer doesn't have to cover their costs. In fact, sellers recoup only a fraction of home improvement costs. According to Remodeling Magazine, they can expect to receive 71% of new kitchen costs and 67.5% of expenses for replacement windows.

How much are property taxes?

Property tax is often included in the home listing, but the amount can change. Local government assessors evaluate home values every few years, which may lead to a higher tax bill.

What are the monthly maintenance and utility costs?

Ask about monthly heating, cooling, water, and trash pickup costs. Your actual prices may vary based on the number of people in your home and how they use the utilities.

Has the home experienced any plumbing or sewer problems?

Plumbing problems can be expensive (and unpleasant). According to the Insurance Information Institute, broken pipes account for an estimated 20% of all home insurance losses. Protect yourself by securing a home inspection. Although it is not a guarantee, a good inspector will be able to identify potential issues or costly repairs on a home.

Which mortgage is right for you?

When it comes to financing a home, you have many choices. I can help you explore your mortgage options so we can find one that matches your plans and your budget. Below is an overview of seven common types of home loans to consider.

FHA Fixed Rate Mortgage

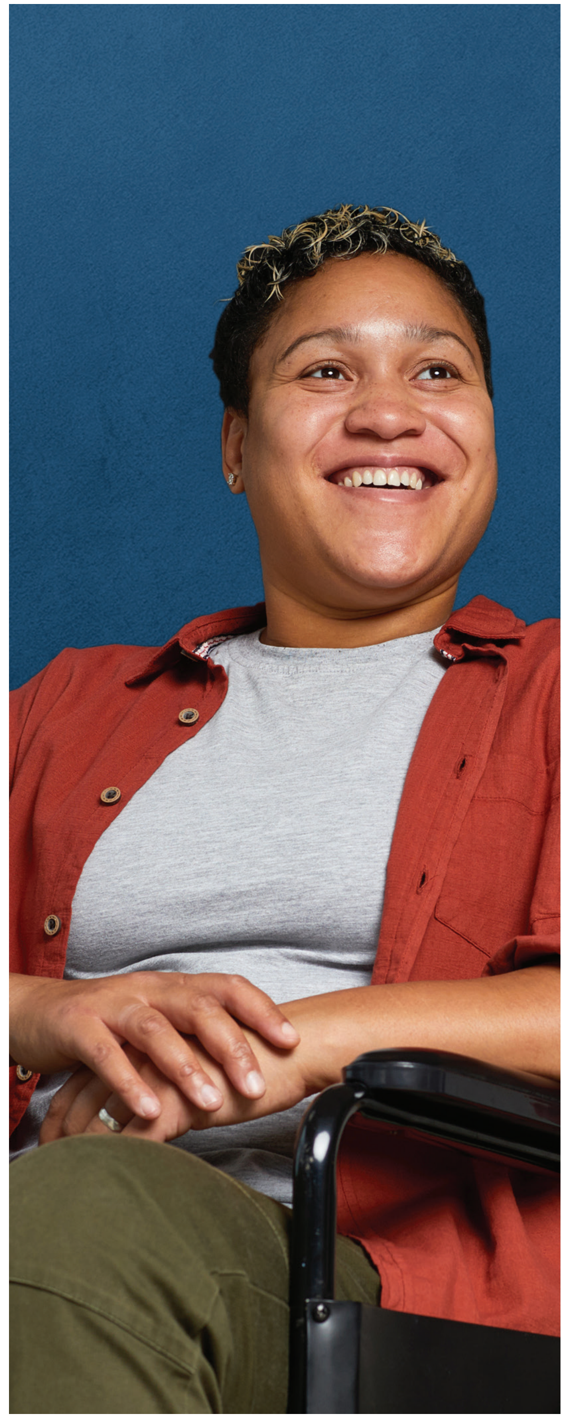
This loan offers more flexible qualifying criteria than conventional loans because it's backed by the Federal Housing Administration. It may be ideal for people with less-than-perfect credit, little-to-no formal credit history, or limited cash for down payments.

VA Fixed Rate Mortgage

Eligible veterans, active-duty military personnel, and some spouses can benefit from the favorable terms of a VA loan. No down payment is required, and you can use your VA entitlement again and again.

Jumbo Fixed Rate Mortgage and ARMs

Jumbo loans cover larger loan amounts, up to $4 million. They can be an excellent option for dream homes and areas with pricey real estate.



FHA: Purchase, rate/term, or cash-out refinance of a primary residence. Program terms available may vary based on the state or county in which the financed property is located. Mortgage insurance is required.

VA: Purchase or cash-out refinance for a 1- to 4-unit primary residence only. Program terms available may vary based on the state or county in which the financed property is located. Not available in Puerto Rico. VA=Veterans Affairs. Please consult your tax advisor regarding the deductibility of interest. Important information will be provided to you in the disclosures you receive after we have received your application and the loan documents you are provided at loan closing.

Jumbo Fixed: Purchase, rate/term, or cash-out refinance of a primary residence, second home, or investment property. No mortgage insurance options. Not available in Puerto Rico or the U.S. Virgin Islands. CONSIDERATIONS: Important information will be provided to you in the disclosures you receive after we have received your application and the loan documents you are provided at loan closing.

Jumbo ARM: Purchase, rate/term, or cash-out refinance of a primary residence. Purchase or rate/term refinance of a second home. With an adjustable-rate mortgage (ARM), your loan will have an initial fixed-rate period. After the fixed-rate period, your interest rate will adjust up or down according to market rates at the time of the reset. Your payment amount will vary based on any adjustment in the interest rate after the fixed-rate period, and your monthly payment may increase. Your variable rate can adjust bi-annually, or every 6 months, for the remaining life of the loan. CONSIDERATIONS: A loan-to-value ratio above 80% may result in a need for mortgage insurance. If mortgage insurance is required, the amount of your payment will increase.

Please consult your tax advisor regarding the deductibility of interest.

More mortgage choices

Construction Loans

If the home of your dreams isn't on the market, why not build it? Construction loans can have fixed or adjustable rates, and their interest-only payments keep costs down during construction.

Fannie Mae HomeStyle® Renovation Mortgage

Buyers can purchase a home and make it their own with one convenient loan. The HomeStyle® Renovation mortgage can finance the home's cost plus proposed renovations, such as repairs, landscaping, energy updates, and luxury upgrades. It also opens up the market so borrowers can choose from a wider selection of homes.

Fixed Rate Mortgage

This loan is a popular choice because the monthly payment stays the same. A longer repayment period means you'll make lower monthly payments, but you'll pay more in interest. A shorter repayment period means a higher monthly payment and substantially lower interest costs.

5/6, 7/6, or 10/6 Adjustable Rate Mortgage

With an adjustable rate mortgage (ARM), the interest rate stays the same for the first 5, 7, or 10 years. Then it adjusts every 6 months to reflect current rates, which can be higher or lower. Initial monthly payments are often lower than fixed rate mortgages, allowing homebuyers to qualify for larger loans.

Purchase or rate/term refinance of a 1- to 4-unit primary residence. Renovation program allows purchase or refinance with renovation. Renovation requires a full builder third-party contract. Income limits apply. Homebuyer education may be required. Not available in Alaska or the U.S. Virgin Islands.
Program for qualified borrowers. All borrowers subject to credit approval, underwriting approval, and lender terms and conditions. Programs subject to change without notice. Some restrictions may apply. Not a commitment to lend. CONSIDERATIONS: A loan-to-value ratio above 80% may result in a need for mortgage insurance. If mortgage insurance is required, the amount of your payment will increase. Interest on the portion of your loan balance that is greater than the fair market value of the dwelling is not tax deductible for federal income tax purposes. Please consult your tax advisor regarding the deductibility of interest. Important information will be provided to you in the disclosures you receive after we have received your application and the loan documents you are provided at loan closing.

One-close construction: Construction to permanent financing for primary residence and second homes. Conforming one-close 9- or 12-month construction term program allowing for payment of interest-only during construction. Note to be modified upon completion of improvements to a fully amortized principal and interest payment. Soft costs (architectural, engineering, and permit fees) may be financed, closing costs may not. Full third party builder contracts only. Not available in U.S. Virgin Islands. CONSIDERATIONS: Borrower must have an escrow waiver to be eligible for payments of interest-only during construction. Borrower must have put down a minimum of 30% and have a sufficient credit score to avoid requalification at completion of construction. A loan-to-value ratio above 80% may result in a need for mortgage insurance. If mortgage insurance is required, the amount of your payment will increase. Important information will be provided to you in the disclosures you receive after we have received your application and the loan documents you are provided at loan closing.

Fixed: Purchase, rate/term, or cash-out refinance of a primary residence. Program terms available may vary based on the state or county in which the financed property is located. Mortgage insurance is required.

ARMs: With an adjustable-rate mortgage (ARM), your loan will have an initial fixed-rate period. After the fixed-rate period, your interest rate will adjust up or down according to market rates at the time of the reset. Your payment amount will vary based on any adjustment in the interest rate after the fixed-rate period, and your monthly payment may increase. Your variable rate can adjust biannually, or every 6 months, for the remaining life of the loan.

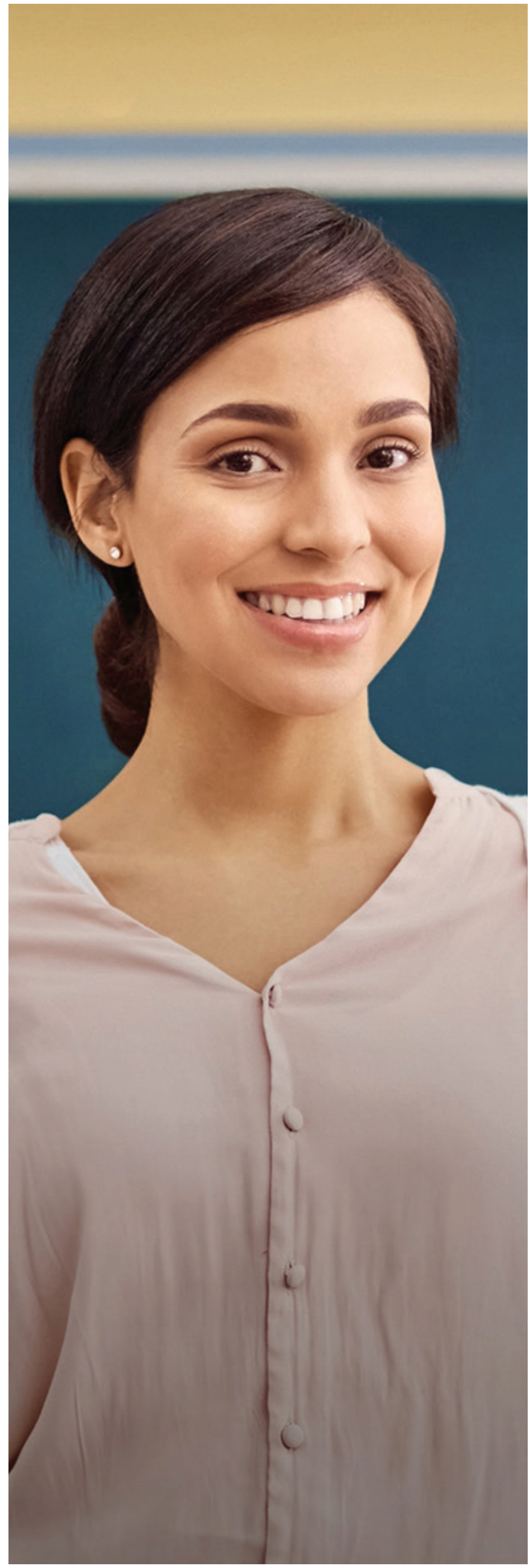
Fixed vs. Adjustable:
Which rate is right for you?

Choose a Fixed-Rate Mortgage if…

- You don't like the uncertainty of an adjustable interest rate.
- You want a predictable monthly payment.
- You plan to stay in your home for many years.

Choose an Adjustable-Rate Mortgage if…

- You plan to move before your interest rate adjusts.
- You think interest rates will come down in a few years, then you can refinance.
- You want to build home equity faster, with more of each payment going toward your loan balance, not interest.



When it comes to the housing industry, things move fast. This guide is meant to be informational, and I am here to help. Consult your tax advisor or attorney for questions about your unique situation.

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