



First-time Buyers Guide

BLUEGRASS REALTY & INVESTMENTS

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WELCOME TO THE EXCITING WORLD OF HOME BUYING!

Buying your first home can be a daunting process with a steep learning curve. While our Bluegrass Realty agents will be here to guide you through every step, learning about the process ahead of time can ease fears and clear up questions that you may have. This guide will walk you through important factors you should consider before buying, the general process, and definitions of terms that you will hear on a regular basis.

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IS HOMEOWNERSHIP RIGHT FOR ME?

The first and most important question to answer is this! Many people look at monthly mortgage payments and automatically assume that owning a home is cheaper than renting, but that isn't always the case. Remember, once you own a home you become responsible for a 15-30 year mortgage, paying annual property taxes, homeowners insurance, any homeowner association fees, and covering all repair costs.

Beyond the financial responsibilities, there is also a lifestyle cost to consider. Renting allows you the flexibility to move at the end of your lease term without the hassles of trying to sell. You also don't have to spend your weekends doing home maintenance like mowing the yard or dealing with repairmen and utility companies.

Other questions you should honestly consider before starting the homebuying process include:

- **Do you have a stable income?** If you are self-employed, can you produce at least 2 years of records showing consistent income?
- **Do you plan to move within the next 2 years?** If so, there could be additional taxes due when you resell the property (A tax professional can answer questions about this!).
- **Do you know where you would like to live?** Consider what aspects of a home and what neighborhoods are most important to your daily life.
- **Do you have savings for a down payment and closing costs?** Loans may require anywhere between 3 and 20% down depending on your eligibility and financial situation. Closing costs include items like appraisal fees, homeowner insurance, home inspection fees, and loan origination fees.
- **Do you have an emergency fund in the event there is an issue after the close?** Common repairs can range from \$550 (for something like a basic water heater replacement) to \$3,000+ (for heat and air system repairs).
- **What is your credit score and debt situation like?** If you aren't sure where you stand, websites like [CreditKarma](#) allow you to review this information without affecting your scores.
- **Have you worked through a budget to determine how much you can afford to put toward your home every month?** While a loan officer considers your monthly debt payments, they don't take into account living expenses like food, childcare, transportation costs, vacation funds, etc. This can result in you getting approval for a mortgage payment that will put you in a tight spot financially. If you want some professional help, HUD offers [free financial counseling for first time buyers!](#)

FIRST STEPS - BEFORE YOU SHOP

So, you have considered the previous questions and feel like homeownership is for you. The first step to take before you jump into viewing homes is to get your financing in order. This will allow you to know your price range and make a confident offer when you find the perfect house.

- **Gather your financial documents** including: two years of tax returns for all borrowers and co-signers, W-2s, pay stubs, bank account statements, employer names and addresses, and landlord information if you currently rent
- **Shop for your mortgage provider and program.** Online mortgage companies, national banks, local banks, credit unions - they all have their advantages and specialties. Comparing loan products and rates will help you find the mortgage that is best for your unique situation. Be sure to do this research in a limited timeframe so that it won't have a negative effect on your Credit Score!
Bonus: If you are struggling to get together a large enough down payment, research Down Payment Assistance Programs through the [Kentucky Housing Corporation](#) and [FHA](#). If you qualify for these programs, they have specific banks that you will need to work with.
- **Once you have found the bank with the best program, file for a loan pre-approval.** With a pre-approval letter, a seller will know that your bank has already run all your financial information and credit score and has committed to loan you the amount of money stated; they won't have to worry about whether or not you can afford to purchase their home.
- **Contact your agent!** With your pre-approval letter and the information about your buying preferences, your Bluegrass Realty Agent will be able to start searching for your ideal home!

Things **NOT** to do once you have committed to the homebuying process:

- **Change or quit jobs** - Your bank will need records showing that you have consistent employment and switching jobs or quitting one could raise questions.
- **Make any large purchases on credit, open a new card, or run up credit card charges** - Changes to your credit report or debts could result in revocation of your loan, even after you have been approved. Until you sign the deed at closing, do not make any purchases on credit or open new lines of credit!
- **Make changes to your legal status** - Getting married, divorced, changing your legal name, and changing citizen or residency status can all affect your loan paperwork. If you know that any of these changes will happen during your homebuying process, tell your loan officer and agent up front, including the anticipated dates of the changes.

SHOPPING AND MAKING OFFERS



With pre-approval in hand, now comes the fun part! Your agent will begin finding houses for you to walk through. Remember, the more detail you can give your agent about the locational, schooling, and physical aspects that you prefer, the better they can narrow their search so you only take time to look at the homes suited to you. All agents and buyer have their preferred methods of communication, so don't be afraid to let your agent know if you want to be texted, called, emailed, or all three!

Once you find a home that you are interested in, your agent will walk you through writing an offer to purchase. This process includes:

- Determining an offer price based on the market
- Addressing which inspections you will have completed and by what date
- Choosing a reasonable closing date.
- You will need to be prepared to write a check for earnest money, a "good-faith deposit" that will be applied to your down payment at the closing.

This seems like a lot, but be confident that your Bluegrass Realty agent will be with you every step of the way.

Once your offer is written, your agent will submit it to the seller or their agent. Hopefully they will accept it as it is written. If not, they will make changes acceptable to them and send it back. This happens back and forth until a signed contract is in place!

FROM CONTRACT TO CLOSE

You've got a contract on a great house! How exciting! But where does it go from here? Every transaction is different but there are some things that need to happen with any deal. Remember that the dates and time frames used in your contract are there for a reason. You may have a problem if you miss a deadline. This page can be used as a checklist with blanks for dates for items that you as the buyer will be responsible for completing. Remember to ask questions and communicate your concerns so that we can stay on top of things. Also, remember not to make any major purchases before closing that could affect your finances or credit score!

- ☐ Forward the contract to your loan officer
- ☐ Send any final documents requested by the loan officer. Delays in getting them what they need can hold up the whole process:

- ☐ Schedule the home inspection or, if you are not having one, sign the waiver and give it to your agent. Inspection Scheduled for: _____
- ☐ Schedule the Wood destroying organism inspection (Pest/Termite)
- ☐ Schedule any additional inspections (radon, septic, surveys, etc.). Remember to stick to your contracted inspection times!
Response to Inspections needed by: _____
- ☐ Once all inspections are complete and you are either satisfied with the results or have an agreement with the seller that treatments/repairs are being made, notify your lender that you are moving forward. They will get the appraisal ordered if it hasn't already been. The appraisal fee may be due at this time.
- ☐ Notify your landlord that you will be moving once you know that you will be moving forward with the purchase.
- ☐ Get bids on homeowners insurance. Once you select your carrier, discuss with them the timing and process of getting covered for the closing.
- ☐ Consider owner's title insurance. Ask the closing attorney or closing agent about this before or at the closing.
- ☐ Finalize close date, time, and location and request off work. Date: _____
Location: _____
- ☐ Schedule movers
- ☐ Have the utilities set to transfer to your name on the date of the closing.
- ☐ A final walkthrough of the home generally happens within 48 hours before closing. This is when you make sure that the house is in the same condition as when you made the offer and/or that any repairs that were requested at the time of the inspection were completed.
- ☐ Attend the closing and enjoy your first home!