Buyer's Information Packet

First Time Home Buyer's

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Know the Facts!

Are you tired of making someone else's mortgage payment?

Will you go another year with little or no tax write-offs?

Would you like to build equity in your financial future?

It begins with You!

I believe, as the Buyer, you play the most critical role in successfully purchasing a home. Therefore, I want to listen closely to you, to determine your needs and desires for a new home.

What is your motivation to buy?

Generally speaking, it is timing, money, and/or a life change that is motivating you to buy your new home.

Why is it such a great time to buy right now?

- In the Denver Metro area, home prices have only gone up 1% over the last year. We had an unprecedented price increase from 2019-2021 of 20%. Values dropped in 2022 by 5% and have been stable the last few years, mostly because the interest rates were higher. Home Values will continue to go up as the interest rate goes down.
- Interest rates were 7.75% Oct. 2023, now are just above 6%.
- Gain equity and Tax advantages

Advantages of Owning a Home

- Ownership should be less expensive than renting.
- You'll get Tax-write offs for interest and real estate taxes that you pay.
- You'll build equity in your financial future.
- You can make your house your own.
- You avoid unpleasant landlords.
- You don't have to worry about your rent increasing
- You won't need a Rent deposit with every new rental.
- You don't have to worry about your landlord evicting you for any reason.

What Can I Afford?

Unfortunately, Lenders can't tell you what you can afford. They can tell you what you can borrow.

You need to be comfortable with the monthly payment and know that unexpected expenses are a part of life.

It's Complicated-

The Basic guideline is that you can afford 4 times your annual salary. It depends on your down payment, interest rate, type of loan, debt ratio, credit score, etc.

What Will My Payments be?

For example-

$600,000, 30-year mortgage@ 6% interest=$3600 per month. This doesn't include real estate taxes, home insurance or MIP. (Mortgage Insurance Premium), which is determined by the type of loan and your down payment.. Taxes are a minimum of $300 per month, homes insurance is roughly $200+ per month, unless you get a condo, where home insurance is part of your HOA payment.

Check out the mortgage payment calculator at Bankrate.com

Your Real Estate Team

If you're like most Buyer's looking for a home, you're not an expert on property values, market conditions, financing, inspections, zoning codes, real estate and tax laws, contracts and regulations.

Knowing everything yourself isn't important. It is important that you have good people on your side. People who know what you need to know, so they can help you when issues arise, (and they will).

You-You hire the experts. They work for you.

Real Estate Agent-Your agent's job is to find you a home that fits your needs, tells you what that home is worth and negotiates on you behalf. Real Estate Agents in Colorado have a right to practice law as it applies to real estate contracts.

Lender-A good lender offers competitively priced loans and will help you select a loan program that fits your financial situation.

Inspectors-Once you get a home under contract, you'll need to hire a Property Inspector to give their opinion of the homes physical condition. You may also want to hire Sewer Pipe Inspectors, Radon Inspectors, etc.

Title Company-The title company will handle all of the funds and paperwork necessary to get the house in your name.

Financial and Tax advisors-Before you buy a home you should understand how you tax situation will be affected.

Lawyer-The Sales Contract that you will be signing is a legally binding contract. If you have any additional questions, you may want to speak with an attorney.

Remember-These experts are **advisors,** not decision makers. They'll give you their opinion and you'll make the decisions. After all, it's your money on the line.

Choosing a Real Estate Agent

A good agent is the foundation of your Real Estate Team. They'll help you find a home that meets your needs, negotiate on your behalf, supervise the inspection, help you through the paperwork, loan process and coordinate the closing.

Characteristics of a good Agent

Educate you-They will know the Home Buying process, will explain each step so that you understand what's happening and let you know what will happen next.

Don't make decisions for you-They will explain your options and give you the information that you need to help you make an informed decision.

Tell you when to add experts-Inspectors, Engineers, Attorney's, Tax advisors. Etc.

Experience-Will know enough about the Home Buying process to ensure that all of your details are handled properly.

Contacts-People prefer to do business with people then know, respect and trust.

Availability-will return calls, and emails and be available for showings when you need them. Agents work with many buyers and sellers, scheduling conflicts may arise, but you shouldn't feel neglected.

Support System-Have other Agent's to cover for them if necessary and Assistants to handle details.

Tools-Offer you the tools you need to find information and make an educated decision. Your Realtor needs to be up to date on the latest Real Estate technology.

***Final Considerations*-** You need to be **Confident in** having your Agent Represent you. You should be a **good personality fit**, and you must **communicate** well.

Choosing a Lender

License-All states requires a lender to be licensed by the NMLS and have state and national background checks. Mortgage Brokers can get you a loan from many different wholesalers. Retail banks (Chase, Wells Fargo etc.) can get you a loan with them, but often the interest rate is higher as they have fewer loan options available.

Knowledgeable-It's important that your mortgage officer knows their products and their requirements and can answer all of your questions. A good lender will even tell you if another lender can give you a better loan.

Referral from your agent-They know who does the best job and what companies are reputable.

Local-You want someone local so you can meet them at their office, if needed. When you write an offer on a property, the Sellers Agent will call your lender to see if you are Qualified for a loan and where you are in the process.

Good Personality Fit-Someone you like and communicate well with.

Remember*-Interest rates can change many times during the day. Many factors go into determining your rate. The lowest rate isn't always the best loan.*

After your Offer is accepted by a Seller, your Mortgage Broker will provide you with a Loan Estimate. It will include the interest rate, estimated monthly payments, loan closing costs and real estate closing costs.

The Home-Buying Process
Process

General Sequence of events

Prior to going under contract

Realtor

-Evaluate your needs in a consultation.

-Refer you to a Lender.

-Set up an auto email so that you get notifications of properties that fit your needs as soon as they come onto the market.

-Give you access to our MLS website so that you may search for your own properties if you choose to.

-Show you properties and get feedback from you.

-Run comparable's on any properties that you are interested in purchasing.

-Check with Lender regarding your interest rate and loan processing times.

-Write and submit an Offer to Purchase when the time comes.

-Assist you with numerous forms and disclosures that are required by the Colorado Real Estate Commission. Inspection Objections, Appraisals, Titlework, contract dates and deadlines, closing details, etc.

-Negotiate on your behalf.

Prior to going under contract...

Lender

-Help you determine a price range you're comfortable with.

-Complete the Mortgage Application.

-Pull Credit Report from all 3 agencies.

-Advise you of documentation required for a loan. W-2's, or 1099's. 2 year tax returns, 2 months bank statements, most recent paystubs to start.

-Help you determine what loan is best for you. FHA, Conventional, ARM, etc.

-Send a pre-qualification letter to your Real Estate Agent, you'll need it when you submit an offer.

-Talk to you about interest rate locks, this doesn't usually happen until you get a property under contract.

-Provide you with a Loan Estimate in writing, within 3 days of going under contract.

MOST OF THIS NEEDS TO BE FINISHED BEFORE YOU LOOK AT HOMES

We don't want you to get excited about a house that you aren't qualified to buy!

Prior to going under contract...

Buyer

-Meet with Real Estate Agent to evaluate your needs regarding your new house, financial situation and time frame.

-Meet with a lender to get educated regarding the financing of your home, even if you don't plan on buying for a year. They will advise you as to improving credit scores, down payment requirements, different types of loans, interest rates, etc.

-Let your agent know when you'd like to look at properties and choose which homes you'd like to see after you've met with your lender.

-Keep in contact with your Lender and provide them with needed documentation.

After to going under contract ...

Realtor

-Send copies of the signed contract to the lender and Title company.

-Track all important dates and deadlines. Advise you as to when items need to be done.

-When title commitment is received, examine it for issues. Ensure that you receive a clean title. Communicate any issues with Title company to correct.

-Make sure that your receive CIC (HOA) doc's if applicable.

-Ensure that Inspection gets done on time and write up an Inspection Objection.

-Assist you in dealing with Loan-Underwriting conditions

-Follow up on the survey, verify that it is acceptable to you.

-Make sure the Appraisal is done on time and comes in where it needs to be for the lender.

-Get a written Loan commitment from the Lender.

-Review settlement documents for accuracy.

-Go over HUD/Settlement sheet with you before the Closing.

-Take you on a final walk through before closing.

-Attend and assist you at the Closing.

-Ensure that you get possession of your new home.

After going under contract...

Lender

-Continue to gather needed financial documents from you

-Advise you to get Home Owners Hazard Insurance.

-Order Appraisal.

-Secure underwriting.

-Work with you to take care of any Conditions on the Loan.

-Obtain Final Loan Approval.

-Explain Settlement Costs per HUD

-Provide Title Company with all required loan documents.

-Attend Closing if possible.

After going under contract...

Buyer

-Keep in contact with your Lender and provide them with needed documentation.

-Examine Title Commitment and ask your Agent if you have questions.

-Examine HOA documents, let your Agent know if they are not acceptable.

-Get Home Owners Insurance.

-Set up inspections.

-Attend the Inspection. Let your Agent know what you feel needs to be corrected.

-Order survey,. (Optional)

-Take care of any Loan Conditions per the Lender.

-Start packing!

-Get wiring information from the bank for Closing Funds. Bring picture ID to closing.

-Attend Closing, 1-2 hours.

-Receive the Keys to Your New Home.

What will it Cost?

Up Front Costs

Credit report-usually credited at closing $200

Earnest Money-applied towards your Down Payment, the amount varies usually $5,000-$10,000, applied to your down payment at closing.

Inspection $500-$750

Sewer Pipe Inspection-$100-$200

Radon Inspection-$100-$200

Down Payment?

Loan Closing Costs?

(You'll get this information from you lender)

How do Real Estate Agents get paid?

Typically by the **Seller,** the commission is negotiated when a Home Owner signs a Listing Agreement with the Listing Agent. The commission is split, between the Listing Agent and the Buyer's Agent. Commissions vary and are usually a percentage of the sales price. 2-3% per Agent.

FYI-If your Buyer's Agent works for a Broker/ Company, the Broker/ Company typically gets a percentage of the commission.
And, yes, we pay roughly 1/3 of the commission for income tax.

Understanding and Managing your Emotions

Emotion is an integral part of the home buying process. Real estate transactions are an emotional roller coaster ride for everyone.

There are many people involved in a transaction and everyone has their own agenda. You're dealing with people at their most primal level. Food, shelter and security are the three most basic necessities of life.

You're dealing with a large amount of money. Buying a home is stressful and often involves a life change (such as marriage, divorce, job, birth, death, retirement), which only makes it more difficult.

Every deal takes on a life of its own. We're going to have issues, we just don't know what they are yet.

Admit that this is a huge step.

Put the transaction in perspective-If a particular home purchase doesn't work out, another house will come up.
Maintain an emotional Arms length-Keep your options open. Walk away for a particular home if necessary.
Accept uncertainty as a part of the transaction you won't have all of the answers in the beginning.
Be Realistic-*Please*, don't watch late night TV shows that promise nothing down deals, impossible financing and unrealistic returns.

Enjoy the process! Have Fun!