

First Time Home Buying Steps



Buying a home is one of the biggest emotional and financial decisions you'll ever make in your life time. The differences between **renting and buying** a home are huge, and there are numbers of pros and cons for both Renting Vs Buying. Being a homeowner also brings with it a new level of responsibility. Before moving forward, here are some home buying steps to consider.

STEP # 1: Is Owning a Home Right for You?



There are pros and cons for both renting and buying. Buying a home may *not* be the smart decision for everyone.. you have to decide what is best for you. Homeownership means you are responsible for all maintenance and repairs. There are other expenses to consider such as: homeowner's insurance, property taxes, condominium fees and utilities in addition to paying the mortgage. These are the questions to consider before moving to next step.

- **Do you have the essential financial management skills?**

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- **How financially stable are you?**
- **Do you have stable job and steady income?**
- **Are you ready to take the responsibility of being homeowner?**
- **Are you able to allocate the time necessary for home maintenance?**

Read and think through the advantages and disadvantages of both owning and renting. If homeownership is right for you, you must be ready financially and emotionally so you can make honest decision.

STEP #2: Review Your Finances



Once you have made decision to become a homeowner, you should review your finances and determine how much monthly payment you can afford per month. Begin by analyzing your current monthly expenses. It may be required to cut back on some spending in order to afford a mortgage payment.

How can you know if you are financially ready to become a homeowner? This step guides you through some simple calculations to figure out your current financial situation, and the maximum home price that you should consider.

- **How Much Can You Afford?**
- **How Much are You Spending Now?**
- **After paying your current monthly expenses (rent, •• groceries, etc.), do you have any money left over?**
- **How much are you willing to spend on monthly mortgage payment?**
- **How much money you have for a down payment?**

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Calculate Your all monthly Household Expenses such as groceries, phone, internet, car expenses and misc. and Debt Payments such as: credit cards bills, auto loans, student and personal loans.

Most of the mortgage loan programs require that monthly housing expenses do not exceed 31% Front End Debt to Ratio and 45% Back End Debt to Ratio of your gross (before tax) monthly income. Simple way to find out your debt to ratio is take the total of all monthly debts which are reporting on your credit report and divide over your total Gross Monthly Income.

If your debt to ratios are in order, move forward to the next home buying step.

STEP #3: Check Your Credit Report and know your credit scores



Before applying for a mortgage, it is important to find out how is your credit history. You can request a copy of your credit report from all three major credit reporting agencies: Equifax, Experian, and Transunion. You can also get one free report in a year from www.annualcreditreport.com. The report will detail your credit history, including credit cards, loans and any court judgments or collection notices. When you receive the credit report, take following actions.

- **Verify that all the information is reporting accurate.**
- **If you find a discrepancy, write a letter to the credit bureau to correct the entry.**
- **Check to see if you have at least 3 creditors reporting for 12 or more months**
- **Check to see if you have at least three trade lines open and active for 12 months.**

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Additionally, you should avoid incurring some types of new debts (like car loans) right before you try to qualify for a mortgage.

All three credit reporting agencies can be reached by following:

- Equifax 1-800-685-1111 www.equifax.com
- Experian 1-888-397-3742 www.experian.com
- Trans Union 1-800-888-4213 www.transunion.com

STEP 4: Identifying Your Home Needs



Once you have your finances and credit in order, you will need to think about the home you would like to buy in Northern Virginia. We all have 'NEEDS' and 'WANTS' and we need to think and discuss those upfront so we can come to an agreement. Ask yourself exactly what you need to have and what you want to have in the house. This will help you to narrow down your search based on your lifestyle.

- **Need to Have:** Make a list of all the features you must have in the house you want to buy. For examples, # of Bedrooms & Baths, Walkout or Walkup Basement, # of Stories, # of Car Garage and etc.
- **Want to Have:** Make a list of all the features that you would want to have in the house but are not necessary to have. For example: Deck, Wood floors, study room, Den room etc.

What Location Should You Choose to Buy a Home. Determine ahead of time:

- **What areas you would be comfortable living in city, town or countryside?**
- **Do you need to be close to work?**
- **Do you need metro, safe walking area, recreational facility such as park and shopping center nearby?**

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- Do you need to in certain school district?
- Do you need to be close to your family and friends?

STEP 5: Get Pre-Qualified for Your Mortgage



After you have determine the area in which you want to buy a house, you need to get Pre-Approved for a home mortgage before selecting a house. In Today's market, Pre-approval is critical to present it with purchase contract. It not only helps you narrow the field when shopping for house but also gives you the home buying power to show your realtor and seller that you are a serious buyer.

Showing sellers that you have the ability to get financing will make any offer that much stronger. To be a fully prepared smart buyer what you need is to be pre-approved, not pre-qualified.

What is the difference between Pre-approved and Pre-Qualified for a mortgage?

Pre-Qualified

A loan originator working for a mortgage lender or broker can typically pre-qualify you for a home mortgage very quickly. Loan originator will review the home mortgage application, income, assets and your credit and let your know if you are pre-qualified. Getting pre-qualified for a home mortgage is a good first step that will give you quick idea how much you can afford or should proceed to the pre-approval process. To get pre-qualified you will need to complete a mortgage application and allow the broker or lender to pull your credit..

Pre-approval

Pre-approved for a mortgage means that a lender has looked closely at your credit report, employment history, income and assets and then determined the loan programs you qualify for, the maximum amount that you can borrow, and the interest rates you will be offered.

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After taking the full application and gathering required documents, Loan originator will enter the full application in the Automated Underwriter System. Automated Underwriting System then evaluate your entire application and give you the Approved/Eligible Certificate. Loan originator will then submit entire loan package with Automated Underwriting Findings and supporting documents to the underwriter. The underwriter will review your credit, mortgage application, documentation, and match the information with Automated Underwriting Findings to evaluate. The underwriter will then approve you for a set loan amount and purchase price. Once you have been pre-approved for a home loan you are ready to start shopping for the house.

What should you obtain Pre-qualification or Pre-approval?

You do not want to present a seller with a pre-qualification letter if you want to be taken seriously for the house you want to present offer for. House hunting with a pre-approval letter shows the seller that you are in a great position to make a serious offer. When your purchase offer comes with a pre-approval letter, the seller will know that you have met the conditions required to qualify for a mortgage, and that you can afford to make the offer that you are making.

STEP #6: Shop for houses-work with Chanu Badwal



Now you are preapproved and ready to begin your dream home search. Now you should find a real estate agent who is expert in the area of your preference. Also it is important to work with agent you can trust and feel comfortable working with. A great real estate agent like Chanu Badwal will help you more accurately pinpoint homes that fit your criteria. Working with Chanu Badwal is easy. Here's how Chanu Badwal will work with you

- **Bring the mortgage pre-approval letter with you at our first meeting.**
- **You will need to sign Buyer Broker Agreement prior to viewing any homes.**

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- We will review your desired areas of preference.
- I will add you to the MLS Search Notification system, and input your detailed search criteria so you can receive daily listing updates.
- We will review and narrow down the homes that meets your criteria.
- We will determine a day(s) and time frame to view the homes and I'll set up the appointments with listing agents.
- We view the homes and evaluate each one before leaving.

Your search for the perfect home may lead you to a number of houses, some of which will interest you more than others. It is therefore important to track the features of each of these homes you have visited and compare at least 3 houses in a format that you can use for objective comparison.

STEP #7: Submit Purchase Contract on a Home



Once you've found a home that meets your must have criteria checklist, the next step is making a compelling offer. Keep your emotions tight and don't fall in love with the house, you may not get it. Now you must be wondering how much you should offer. When you work with Chanu Badwal she will guide you through the purchase contract process. This is how she will help you make an strong offer.

- I will research similar properties in the neighborhood to help you determine the market value, and fair price, for your home.
- We come up with a valid Purchase price and Earnest Money amount.
- We will write an purchase contract with important Contingencies and closing date.
- You write a check for the Ernest money.
- I'll present the offer to the Listing Agent and wait for the response.

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What Happens After You Make an Offer to Purchase?

Once the offer is received by the seller. Seller has three possible options.

- Accept the offer as written.
- Make a "counter offer" on unacceptable terms.
- Reject the offer, if it is totally unacceptable to the seller.

STEP#8: Congratulations! Offer accepted Now what next?



Once your offer has accepted, your agent will schedule all the proper inspections mentioned in the purchase contract within the time frame. If you work with Chanu Badwal, she will normally send an email message out to you outlining the steps to closing escrow and picking up the keys to your new home. Here is a basic overview of the steps to completing the purchase:

- **Immediately follow up with your loan officer** and update any documents they might need. Make your loan officer aware of your contract date to release the financing contingency so your loan can be fully approved on time prior to contingency date. Review the Good Faith Estimate with your loan officer and real estate agent. Find out when is the best time to lock your interest rate. Your loan officer will order the title and appraisal.
- **Open Escrow Account:** Your deposit check will be held in escrow within 48 hours of confirmed acceptance of the contract. Your agent will deposit the Earnest Money Deposit in Broker's Escrow account.
- **Get a Home Inspection:** Ask your agent for recommendation for Home Inspector who he/she have previously worked with and feel comfortable with. If you work with Chanu Badwal, she will immediately order the home inspection to meet the contract contingency date. If you can or cannot make it to the home inspection, Chanu Badwal will be present at the home inspection for you (not all agents are like her).

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STEP #9: Close on Purchase



Congratulations! You have made it! At this point you should have received loan commitment with clear to close from your lender. Closing day is the day where ownership of the home is officially transferred from the seller to you. The signing of the legal documents normally take place at the settlement/Title company and meeting takes about one hour.

Before closing..

- Work with your agent and schedule final walk through on the day or before the day of closing. Complete a final walk-through to make sure all is as it was when you made the offer to purchase.
- Get the Cashier's or Certified Check for the closing cost and down payment that you need to bring at the closing.

At the closing table, you should receive:

- Settlement Statement also called HUD-1 Form (itemized list of all related closing costs)
- Truth-in-Lending Statement
- Mortgage Note
- Mortgage or Deed of Trust
- All other documents required by your lender

The following steps explain what happens during and after the closing meeting:

1.First, the settlement agent reviews the settlement statement (HUD) with you and the seller and answers any questions. Both you and the seller sign the settlement statement.

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2. Then, the settlement agent will go over and asks you to sign the other loan documents, such as the mortgage note, mortgage deed and the Truth-in-Lending statement.
3. Seller will sign his/her part of the required documents.
4. After that, if everyone agrees and signs all documents, you submit a certified or cashier's check to cover the closing costs and down payment.
5. Next, if the lender will be paying your annual property taxes and homeowner's insurance for you, a new escrow account (or reserve) is established at the time of closing.
6. Finally, you receive the keys to your new home.
7. After the meeting, the settlement agent send proper documents to officially records the mortgage and deed at your local government clerk's office. This legal transfer of the property may take a 24 hours after closing or more than 24 hrs if the day after closing is a holiday. The settlement agent usually will disburse the funds to everyone who is owed money from the sale including the seller, real estate brokers, and the lender once the transaction has been recorded.

STEP #10 : Move to your New Home



Congratulations on completing the steps for your dream of home ownership! Being as a homeowner can be very rewarding and sometime a little overwhelming. Organization is important to make your move easy and smooth. Plan ahead once you know when you are settling on your new home. The following quick moving tips will help you make the transition to homeowner.

Making the move

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- Start packing! If you do your own packing, it is a good idea to use boxes that can be easily carried. Label them with the contents and where they go in your new home.
- Contact the local utility companies to hook up electricity, gas, and water to your new home.
- Notify the post office of your new home address change and request that your mail be forwarded.
- Notify your credit cards companies, friends, employer, and child's school of your new home address and phone number.
- Update your bank accounts and checks with your new address.
- Update the address on your driver's license within 30 days of moving.
- Change the locks on the doors of your new home.

STEP #11: Meeting your financial obligations as Homeowner



After buying the home the days go so fast in the moving excitement that it is almost a time to make first mortgage payment. Failing to make your mortgage payments on time within 30 days can even lead to very serious consequences. A good way to prevent late payments is to have the mortgage payment automatically deducted from your bank account every month. Contact your lender to setup automatic payment withdrawal.

Here are the quick tips to help you stay organized towards your financial obligations.

TIP#1: First Payment Coupon

You should have received a first payment coupon for your first mortgage payment at closing. Do not be surprised if you receive a letter from the lender telling you that the

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loan has been sold. This is a very common practice. The lender will tell you where to mail your payments if your loan was sold, and you should receive a coupon booklet in the mail from the new lender, which is now your loan servicer. Even if you don't receive a payment coupon, you need to make your payments on time. Contact the loan servicer for payment information.

TIP #2: Yearly Escrow Analysis

Every year the loan servicer will provide you a year-end interest statement and escrow analysis which shows the activity of total interest, hazard ins and property taxes have paid for the full year. Your payment may increase in the future if there is a shortage in your escrow account or you will refund if there is overage in your escrow account.

TIP#3: Maintaining Good Credit

Another aspect to your new financial responsibilities is maintaining good credit. Buying a house is the biggest investment so does missing one payment will have big effect on your credit. Therefore you should always make your mortgage payment on time. If you fall behind on more than 3 payments, the lender has the legal right to foreclose on the house.

Tip#4: Behind on Mortgage

If you do fall behind in your mortgage payments or face a financial hardship beyond your control, notify your loan servicer immediately. Always stay in touch with your servicer and try to make arrangements for repayment.

Congratulations! You Are a Homeowner!