



# Buying your first home

---

## Look at your financial picture

---

1. **Contact a Telcoe Mortgage Officer.** They will walk you through the process of home buying and help you determine your buying power & budget. Call 501-375-5321 or email [loans@telcoe.com](mailto:loans@telcoe.com) to schedule an appointment.
  
2. **Check your Credit Scores.** Establish and maintain good credit. Better credit scores generally equate to better interest rates. Even a .5% savings on a mortgage rate can make a big difference in your monthly payment.
  
3. **Create a monthly Budget.** Work to stay within that budget when looking for a home.
  - Mortgage payment (**Common rule:** 30% of the gross household income)
  - Bills, food, insurance, car payment, etc.
  - Savings, you never know what life will throw your way
  
4. **Consider other factors that will affect “increase” your mortgage payment.**
  - Payment Mortgage Insurance (PMI). If you aren't putting 20% down you will more than likely have to pay PMI monthly. This protects the financial institution in the event you default on your payments.
  - Escrow accts – Property tax & Insurance. The total of your annual insurance premium and property tax is divided by 12 and added to your monthly payment. As you make payments your financial institutions will put this money into an escrow acct and pay both entities annually.
  - HOA / POA Dues – If you live in an area with Home / Property owners associations you will have to pay annual dues.
  - Flood insurance – If you live in an area that is prone to flooding, this is required.
  
5. **Research Loan Programs / Save for your down payment & closing costs**
  - Typical down payments are anywhere from 3% - 20% of purchase price
  - Closing costs will vary by financial institution.

## Buying your first home

*explained*

### What documents will you need for a mortgage loan?

---

Locate the following documents. Place them in a “Mortgage” folder and be ready to present to your loan officer when you’ve selected your dream home.

- 1. W-2’s for the past two years
- 2. Pay stubs for the last two months
- 3. Proof of any supplemental income. I.E. Rental property, Social security, pensions, alimony etc.
- 4. Tax documents for the past two years (if self-employed)
- 5. Bank statements for the past 2 mos. - Checking, Savings, etc.
- 6. Investment account statements – 401K, IRA, etc.
- 7. History of residence for the past two years

### Building your team

---

1. Meet with your preferred Lender

Starting with your lender will put you in the right direction when it comes to finding a home within your budget

2. Secure a knowledgeable Real Estate agent.

**YOU** should choose your agent. Ask friends, family or a co-worker for a referral.

3. Are they knowledgeable about the area you are looking to buy in? I.E. Is it in a flood plain, are they putting in a highway, are city utilities available, has there been prior fire / water damage.
4. Are they informed of current market trends
5. Will your best interests be their priority

**Remember:** *the listing agent represents the seller and the seller’s best interest. They want to sell the property and get the seller the most money for it.*

*Find an agent that will represent you and your needs*

**The good news** – *as a buyer, it costs you NOTHING to hire an agent. Realtor fees / commissions are paid by the seller*

### You're under contract. WHATS NEXT?

---

1. **Contact the Lender** - Your lender will need a copy of the real estate contract to begin the loan process.
2. **Schedule a home inspection** - Generally done within ten days of signing a contract and typically costs between \$300.00 & \$500.00 which the buyer pays. Your realtor should know many inspectors and will help with scheduling one for the job.

***Do not skip this critical step.** Inspections help to identify any issues with a house and make you aware of potential cost factors. It can also give you enough reason to back out of contract if you determine it needs more work than expected. As well, inspections can give you an additional bargaining point. While home inspectors are thorough they typically will not inspect underground / in-wall plumbing, septic systems, outbuildings etc. While inspectors can't find 100% of issues, they are trained to look for things most people don't see. They will provide you with documents & photos of findings.*

3. **Insurance Quotes** – you will need to get with your insurance company for coverage quotes. Don't be afraid to shop around for the best rate.
4. **Appraisal** - Your financial institution should order the appraisal. The cost of the appraisal will be worked into your closing costs. You will be responsible for the appraisal cost should you not close on the house.
  - An appraisal ensures the property is worth what you are paying and intern protects the financial institution from over lending on a property.
5. Depending on area, the appraisal could take 2-3 weeks to complete
6. **Closing** – typically scheduled 30-45 days after initial contract. Your realtor should schedule the closing date with the title company.
7. Title companies handle the transfer of title from the buyer to the seller & financial institutions. They will work with the lenders, county, attorneys etc. to work up the necessary documents for you to CLOSE on the home and legally own it.
8. At this time you will pay your down payment, closing costs etc. and the title company will handle the disbursement of funds to the seller / financial institutions.

### Other financial considerations when buying a home

---

1. **NEW LOCKS:** It's not likely the old owners will decide to squat in your new living quarters, but changing the locks does minimize the chance of unwanted entry by people (contractors, relatives) who have gotten copies made in the past. You may also want an upgrade from whatever simple door hardware is installed. If your new home has several entry doors, that can add up to hundreds of dollars.
2. **Major appliances:** Is the home equipped with a Washer, Dryer, Refrigerator, Stove, Dishwasher, etc. If not, you should be prepared to purchase. Consider purchasing gently used to save money at first. Do not take on additional credit card debt while going through the mortgage process. Remember, your credit score affects your rate.
3. **Utilities:** If you're moving from an apartment where your utilities were included in your monthly rent, you might have some sticker shock when it comes to paying utility bills at your new home. And even if you were covering all of the utilities yourself, you'll have more rooms, which means it'll take more electricity to light it up. Take that into account when deciding how big a home you want, because it does mean more rooms to heat and cool or provide power to (in addition to keep clean!
4. **Lawn Maintenance:** Will you cut it yourself? Great. Now you'll need to get the equipment to do that, and a place to store it if your house didn't come with it. Hiring someone to take care of the lawn will save you time and the expense of the equipment, but be prepared for bi-weekly landscape bills (grass grows quicker than you think!). If your home has a sprinkler system, or you decide to install one, there's the extra cost of water in the summer months to add to your water bill.
5. **Curb appeal:** Do you love the way your new house looks from the street? Great — you'll still have to pay to keep it that way. You might have annual flowers planted, which means each season you'll need to swap them out, or add more mulch.
6. **Furniture:** Is your new space larger than your last residence? If you're moving from an apartment or condo to a house, you'll likely have rooms to furnish that you didn't have before. Maybe you have a deck or a guest bedroom. All of which you will want to furnish.
7. **Flooring:** The home you moved into has hardwood floors just like you wanted. However, you'll still likely need some area rugs to cut down on noise and give your feet some comfort. It's possible the rugs you had in your apartment or prior home will work, but you still might need to buy some new ones to match the size of the rooms. Maybe the house has carpeting where you'd rather have hardwood. Or perhaps you already know there's hardwood underneath that wall-to-wall. Either way, you'll need to save some funds to refinish the floor (even if you DIY, you'll need to rent a machine), or rip out the carpet and install new flooring.
8. **Window coverings:** There's always the chance you'll be able to make your apartment curtains work in your new home, but you'll likely need more of them. Lots of windows are great for bringing in natural light, but depending on how private your property is, you'll need to be able to have some privacy as well. Window coverings can be expensive, and they add up faster than you think.

## Buying your first home

*explained*

- 9. Home improvements / maintenance:** Interior / exterior painting, flooring, lighting, plumbing repairs, fencing etc. Even in a new home you will eventually be faced with home improvements / repairs. Put enough money away to cover the expected and the unexpected. A good rule of thumb is to budget 1% of your home's value annually for improvements / repairs.
- 10. Pest Control:** From tiny mice to annoying ants, homes can be havens for wildlife seeking refuge from the elements. If your home isn't tight, small cracks can be a welcome mat for insects and small rodents. You may want to have preventative pest control done to the home. And if not, you may have to pay at some point to deal with unwanted visitors.
- 11. Trash:** In some cities and towns, you'll have to pay a trash fee. Sometimes it's wrapped into your property tax (which gets bundled in with your mortgage payment) or your utility bill. And if it's not, you'll need to use a private trash/recycling service or use the town landfill.
- 12. Security system:** Feeling safe in your new home is important. Your house might come with a hardwired security system, which means you'll be paying the monthly fee for monitoring should you choose to use it. Or you could use a system like Ring, which has a variety of pricing options. Even if you used a system with cameras before, having more rooms to cover may require some new purchases.
- 13. Hazard Insurance:** Many people choose to protect their home with homeowners insurance, but not everyone considers coverage for catastrophic events like floods or earthquakes that might not be covered by their policy. Check with your insurance agent about any gaps in your policy that could prove costly later.

