

# First-Time Homebuyers

**Understanding  
the Process of  
Purchasing Your  
First Home**





# Seminar Objectives

## 10 important steps in home buying

1. Are you ready?
2. How much can you afford?
3. Get pre-approved
4. Decide on the kind of home to buy
5. Shop for a home
6. Make an offer
7. Home Inspection
8. Finalize Mortgage Application
9. Homeowner's insurance
10. Close on your home

# Step 1: Are You Ready?



**Do you have a steady job and are you planning to stay with it for a few years?**

- Do you like to switch jobs and homes often or can you see yourself staying in one location for a while?



**How is your credit?**

- [www.annualcreditreport.com](http://www.annualcreditreport.com)
- Be sure to take care of any problems



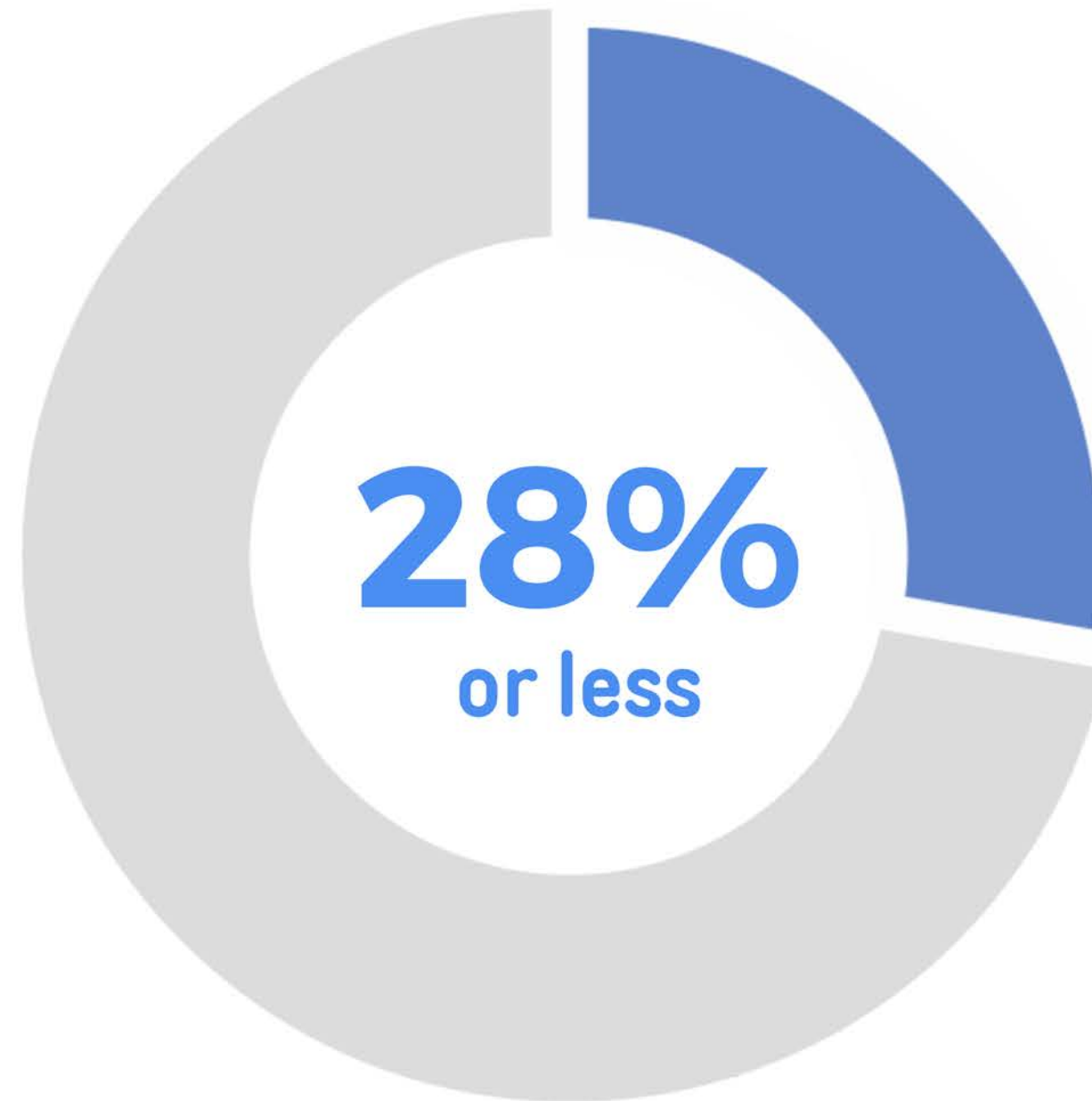
**Do you have a down payment?**

- 20% is ideal
- Many programs allow you to put down as little as 3%

# Step 2: How Much Can You Afford?



Housing, Front-End, or  
Debt-to-Income Ratio



Percentage of monthly  
income towards  
housing payments

# Step 2: How Much Can You Afford?

## Finding Your Debt-to-Income Ratio

Use this online calculator at this link to calculate your debt-to-income ratio:

<http://nerdwallet.com/blog/loans/calculate-debt-income-ratio/>

### Debt-to-Income Ratio Calculator

Your debt-to-income ratio (DTI), along with your credit history, is a key factor in lending decisions. A DTI below 20% is considered excellent.

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<b>Mortgage or rent payment</b>	<b>Car loan or lease payment(s)</b>
<input type="text" value="\$"/>	<input type="text" value="\$"/>
<b>Minimum student loan(s) payment</b>	<b>Minimum credit card(s) payment</b>
<input type="text" value="\$"/>	<input type="text" value="\$"/>
<b>Personal loan(s) payment</b>	<b>Child support &amp; other regular payments</b>
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**Gross Monthly Income**

**\$0**

# Step 2: How Much Can You Afford?

Use the online calculator to help you see how much house you can afford:

<https://campuscu.com/calculators-all/mortgage-loan-calculator-piti/>

The screenshot shows a mortgage calculator interface with the following elements:

- Buttons:** "Calculate" and "View Report" buttons at the top.
- Summary:** "Monthly payment is \$1,529.99" displayed in the center.
- Loan information:** A section with a chevron icon and a list of input fields and sliders.
  - Mortgage amount:** Input field with "\$200,000" and a slider ranging from \$0k to \$1m.
  - Term in years:** Dropdown menu with "15 years" and a slider ranging from 1 to 40.
  - Interest rate:** Input field with "4.5%" and a slider ranging from 1% to 10%.
  - Annual property taxes:** Input field with "\$0" and a slider ranging from \$0 to \$20k.
  - Annual home insurance:** Input field with "\$0" and a slider ranging from \$0 to \$20k.
- Summary:** "Monthly payment (PI): \$1,529.99" and "Monthly payment (PITI): \$1,529.99" at the bottom.

# Step 3: Get Pre-Approved



## Pre-Approved

Complete an official mortgage application

Extensive credit check

You will know how much you can borrow and the estimated interest rate

CAMPUS does not charge a fee

# Step 3: Get Pre-Approved

Why Is a Credit Union the Perfect Option?



- You can save money
- You're not just a number
- They will work with people



# Step 4: Decide On the Kind of Home to Buy

**Needs**



**Wants**



**What are your deal-breakers?**



# Step 5: Shop For a Home

Don't pre-judge homes

Use real estate websites to research active listings

Don't forget your deal breakers

Consider all available homes in your range

Show proper etiquette when touring homes/open houses



# Step 5: Shop For a Home

## Important Considerations...

### 1. Price

- If you overspend, you may become “house poor”. Set your budget and stick to it, no matter what.

### 2. Location

- School district, flood zones, safety, public transportation, etc.

### 3. Age of Home

- Consider the replacement costs of the roof, HVAC, appliances, etc.

### 4. House Size

- Square footage, number of bedrooms, storage, yard space

### 5. Property Taxes

- Understand what the neighbors are currently paying for a similar house

### 6. Homeowner's Association

- Read the by-laws, does the fee fit your budget, etc.

# Step 6: Make an Offer

Know Your Market

## Buyer's Market

Many houses are on the market

Not as many buyers looking

Buyers can negotiate a better price if the homeowner is motivated

SELL

BUY

## Seller's Market

Not a lot of houses for sale

Lots of people looking for houses

Seller can name their price because demand is high and supply is low



# Step 6: Make an Offer

## Contingencies

### Appraisal Contingency

- A clause in the contract allowing the buyer to cancel if the home appraises for less than the agreed-upon price.
- Provides a safety net for buyers to avoid overpaying.

### Financing Contingency

- A clause in the contract ensuring the buyer can obtain financing.
- Allows the buyer to back out if they are unable to secure a loan.

### Why These Contingencies Matter

- They offer financial protection and flexibility to homebuyers.
- Essential for ensuring a fair and secure transaction.

### Role of the Lender

- Ensures these contingencies are in place for the buyer's protection.
- Works with the buyer throughout the process to secure financing and meet all requirements.

### Common Contingencies

- ✓ Mortgage approval
- ✓ Home inspection
- ✓ Appraisal
- ✓ The sale of your home



# Step 6: Make an Offer

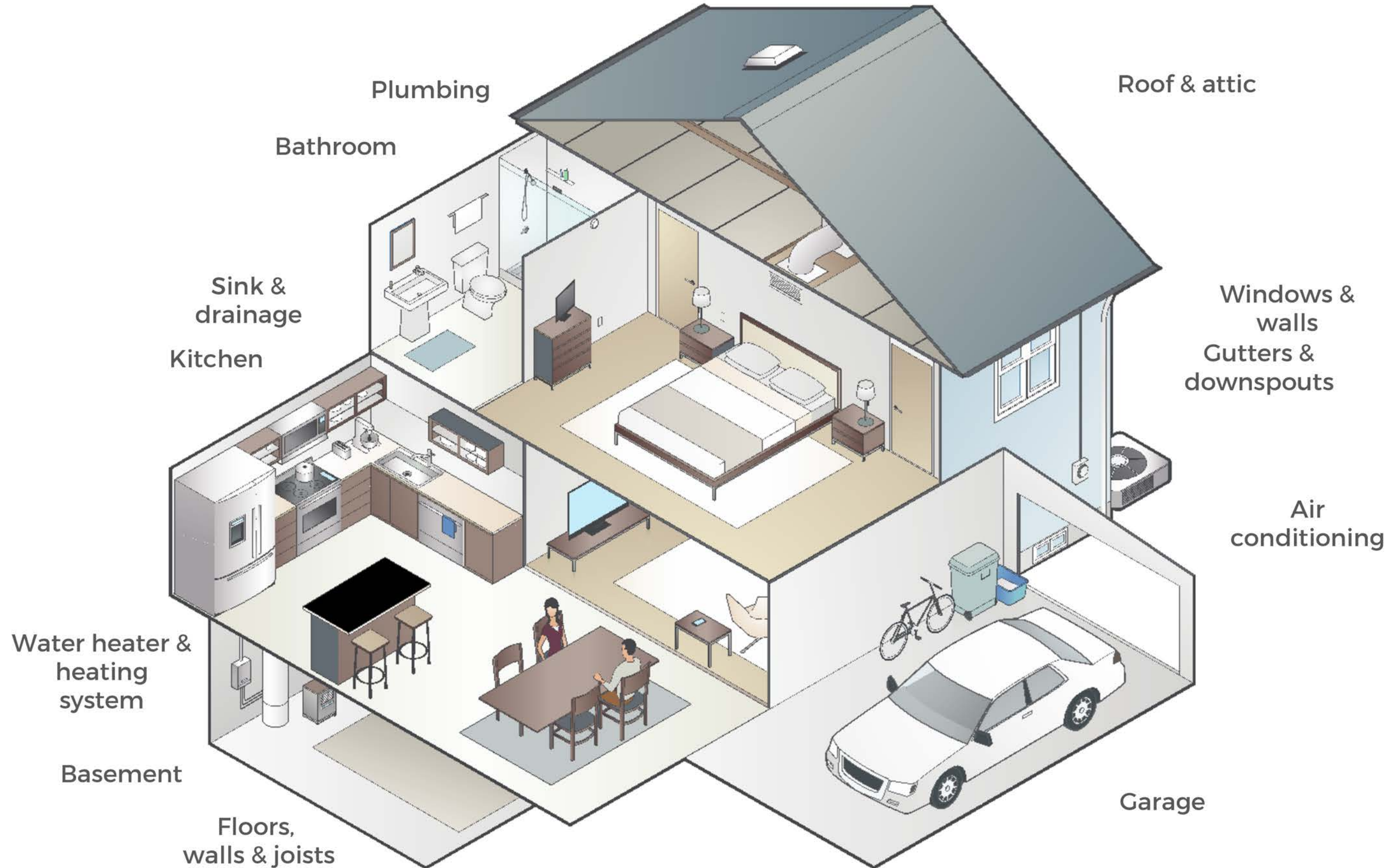
## Negotiations

When you make an offer, you are signing a contract.

But, the seller could offer a counteroffer, or reject your offer completely.



# Step 7: Get a Home Inspection



# Step 8: Finalize Mortgage Application



## Fixed Rate Mortgage

Rate stays the same for the life of the loan (10, 15 or 30 years)

About 90% of mortgages are fixed



## Adjustable Rate Mortgage (ARM)

After the initial fixed period, the rate may change

Typically 30-year loans, but rates can change every 6 months

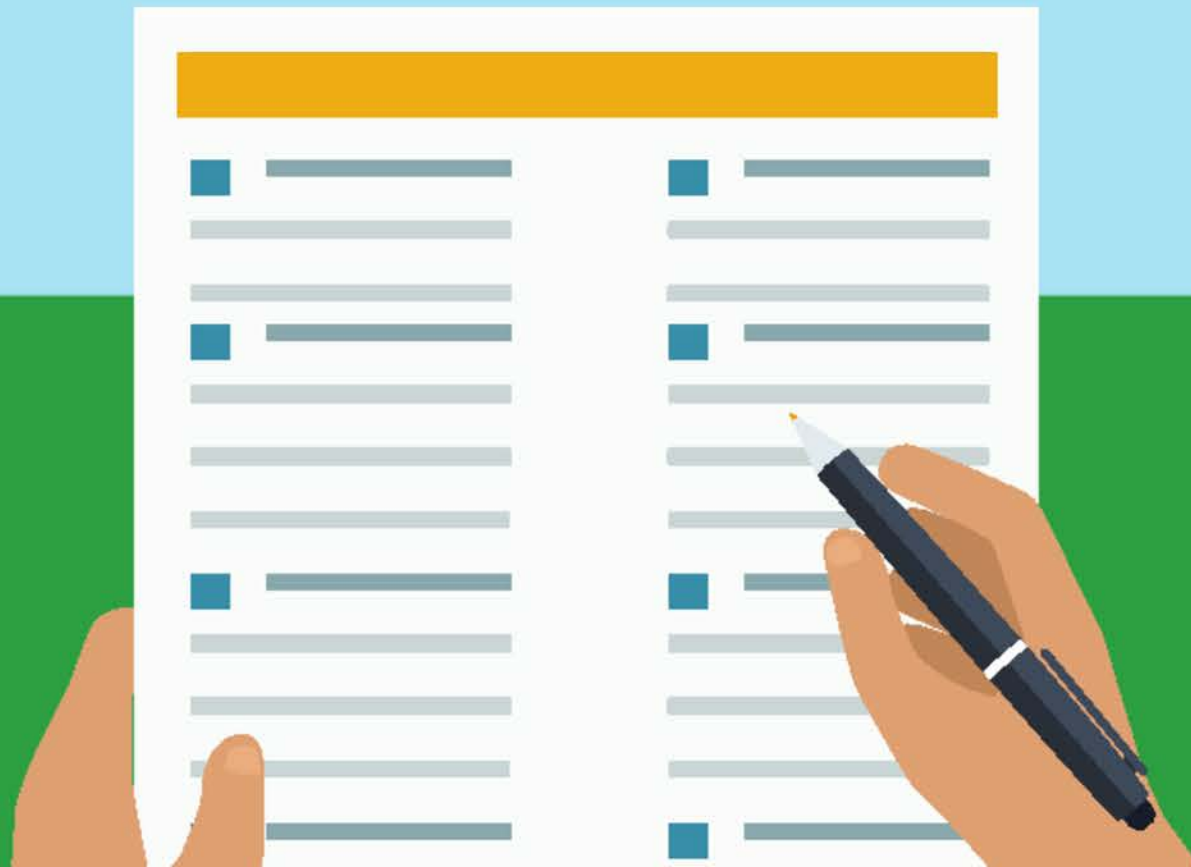


# Step 8: Finalize Mortgage Application

## Home Appraisal

### Appraisal Requirement

- An appraisal is required to ensure the home's value is sufficient for the loan amount.
- Protects the buyer from overpaying for the property.



# Step 9: Homeowners Insurance



Hazard Insurance

Personal Property Insurance

Liability Insurance

Flood Insurance

# Step 9: Homeowners Insurance

## What Affects Your Rates?



Type of construction

Type of contents

House size & condition

Your credit score

Type of fire protection & proximity

Type of policy

Size of deductible

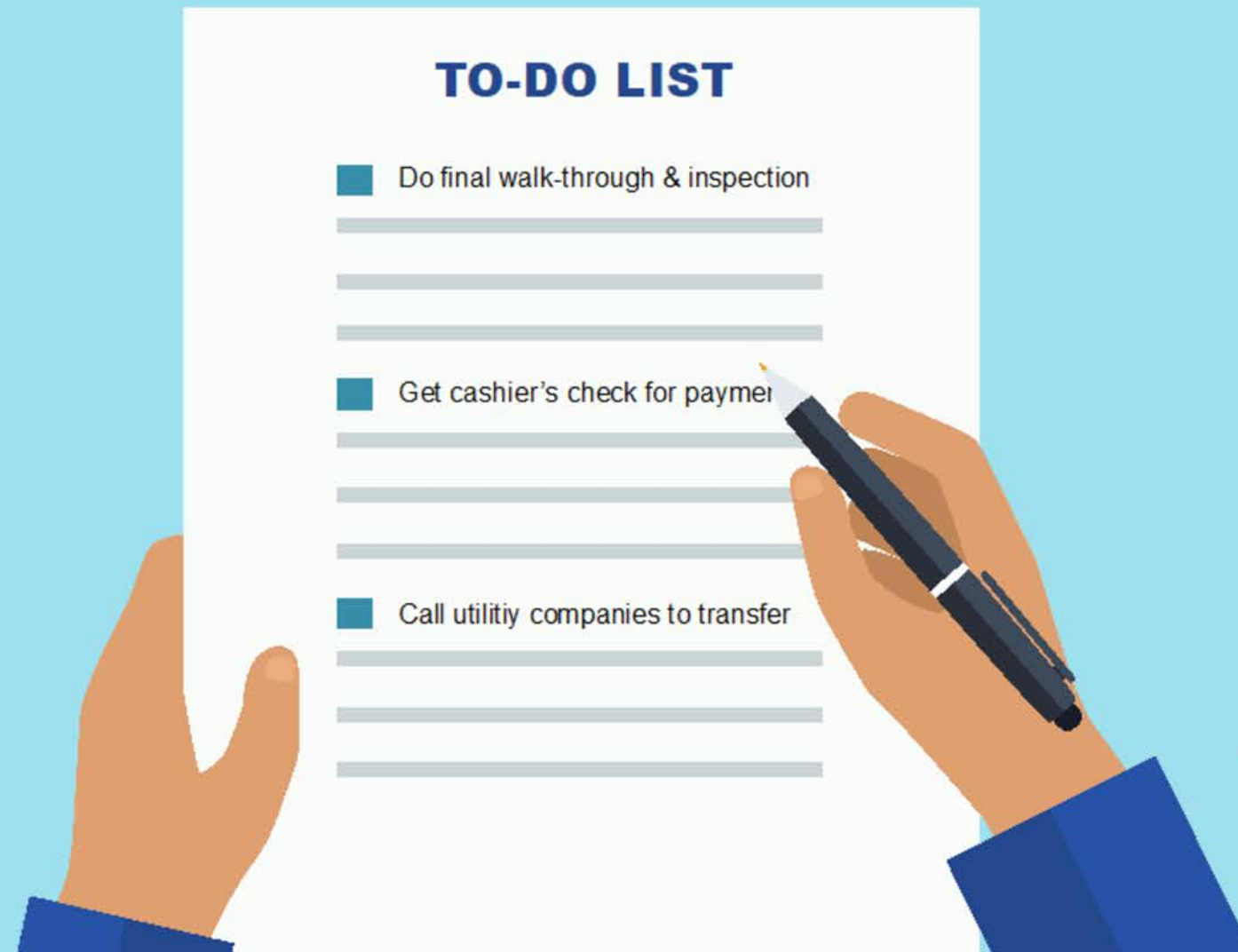
The company you choose

Age of Home

# Step 10: Close On Your Home

A few days before closing:

- Final walk-through and inspection
- Proper insurance
- Certified check for closing costs
- Call utility companies to transfer service



# Step 10: Close On Your Home

Get your pen ready!



- ✓ Closing disclosure
- ✓ Mortgage note
- ✓ Mortgage
- ✓ Affidavits
- ✓ Deed
- ✓ Title insurance
- ✓ Title abstract
- ✓ Survey of property
- ✓ Escrow analysis

**Thank you for joining us!**

**Questions or comments?**

