

The Essential Guide for First-Time Home Buyers

If the prospect of buying your first home feels daunting, rest assured, you're not alone in this journey. At Treetop Realty Group, we understand the complexities of the home buying process, and we're here to guide you every step of the way. Our comprehensive, step-by-step guide is designed to simplify the process and empower you to make informed decisions with confidence.



1

Examine Your Finances

Consider what your monthly payments are today and what they will be after you purchase a home. This will help you budget for monthly home expenses and also save for a down payment and closing costs. Key factors include:

- **Income**

What is your monthly income?

- **Expenses (including Debt)**

What monthly payments do you have (auto, insurance, loans)?

- **Down Payment**

There are loans available that allow buyers to put down as little as 3.5%, 3% or even 0%

- **Credit Score**

Know your credit score and clean up outstanding debts like credit cards and student loans prior to applying for a loan.

- **Closing Costs**

How much money will you need at closing? Typically 3-5% of the loan amount for your home.

2

Connect with a Local REALTOR®

Most first-time homebuyers work with a local real estate agent. An experienced agent is very knowledgeable and can guide you through the purchase process, including getting a loan, making an offer and completing all of the necessary paperwork.

Most popular ways a home buyer finds an agent

Through a friend

52%

Online

10%

Other

38%

Your Agent wants to know...

Your timeline to purchase, preferred location, type of home, number of bedrooms and bathrooms, features required, and price point.

3

Get Pre-Approved with a Lender

Getting pre-approved means that a lender has reviewed your income, expenses, and credit report and has conditionally agreed to loan you a set amount of money for a mortgage. This process typically takes 1-10 business days.

What You'll Need for Pre-Approval



Proof of Income



Employment Verification



Proof of Assets



Source & Amount of Down Payments & Closing Costs



Loan Application



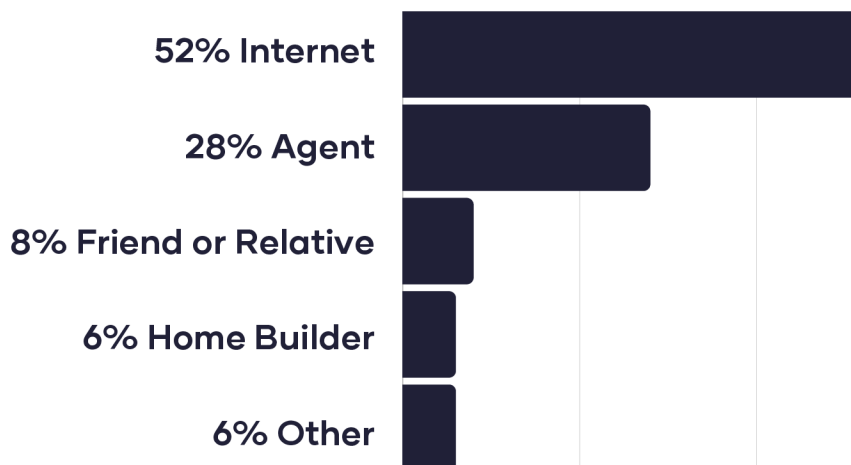
Good Credit

4

Search for a Home

This is the fun part! Checking online is a fast and convenient way to search for homes. It may also help to drive through neighborhoods you're interested in, talk to your friends, or consult your agent, if you already have one.

How buyers found the home they purchased



Source: NAR's 2023 Profile of Home Buyers and Sellers

5

Visit Open Houses and Tour Homes

Visiting homes in person can help you identify the features that are most important to you. While it is easy to get emotionally attached to one home, it is likely you will encounter multiple homes that suit your needs. It also helps to ask questions and bring a notebook to document your thoughts on each home.

Average house search



Buyers typically searched for **10 weeks** and looked at an average of **10 homes**.

Source: National Association of Realtors

6

Submit an Offer

You found your new home and you're ready to make an offer. Your agent can help prepare your offer, which includes: earnest money, option fee, down payment, price, details of financing, necessary disclosures, and a proposed closing date. Be prepared to negotiate the purchase price if the seller presents a counteroffer.

3 tips from Arch Currid, Team Lead at Treetop Realty Group

1

Submit your offer as soon as you can.

Avoid delaying your offer as someone else may get in ahead of you.

2

Don't skip inspections.

Inspections will help you understand the home and any issues before closing.

3

Submit a strong offer you are proud of.

If it's too low, it may be overlooked, if it's too high, you may have regrets.

7

Get a Home Inspection

A home inspection will help you assess the quality, safety, and overall condition of the property. It will also help determine if there are repairs needing to be addressed prior to close and what future projects you may need to take on as the new home owner.

What a standard home inspection includes

- Foundation (basic inspection)
- Electrical system
- Plumbing system
- Walls, ceilings, and floors
- Windows and doors
- Roof (basic inspection)
- Attic
- Visible insulation
- Heating and A/C system

Additional inspections may be purchased for: wood destroying insects (WDI), pool equipment, septic system, asbestos, stucco, etc.

8

Get an Appraisal

An appraisal (aka "opinion of value") is an estimate as to the value of your home from a professional, licensed appraiser. Lenders require an appraisal prior to issuing a mortgage to ensure they aren't lending out more money than the property is worth.

Critical components for an appraisal



Comps*



Square footage



Appearance



Amenities



Condition

*Comps is a real estate term for "comparable sales" and refers to prices paid for recently sold homes that are comparable in size, style, and location

9

Make Final Negotiations

If problems arise during the inspection period or appraisal, you may be able to renegotiate the home's purchase price to account for any repairs that need to be made. If changing the purchase price is not an option, consider asking the seller to pay for repairs or help with closing costs.

Following inspections, a buyer has three options

1

Proceed with no requested repairs.

This is a good option if issues are minor.

2

Request repairs or the cost to repair.

It is common to request repairs, or the cost to repair to bring the home into good working condition.

3

Be prepared to walk away.

If repairs needed are significant and the seller will not budge, be prepared to walk away.

10

Attend Closing

Congratulations! On closing day, all parties will sign the documents needed to officially seal the deal, and ownership of the property will be transferred to you.

The most important documents you will sign

- **Settlement statement**
Summarizes final fees and charges to buyer and seller.
- **The deed**
Transfers ownership from the seller to the buyer.
- **The promissory note**
The legal "IOU" with home loan terms, payment dates, and where they must be sent.
- **Deed of trust or mortgage**
The document in which you agree to a lien on your property as security for repayment of your home loan.



FAQs

EXAMINE YOUR FINANCES

Q: How much house can I afford?

A: This is determined by your overall finances and is different for each buyer. We recommend keeping housing expenses below 25% of your monthly gross income. That includes mortgage principal, interest, property taxes, home insurance, PMI and HOA fees.

Q: How much down payment is needed?

A: Depending on your finances and loan option, the typical down payment can range from 3-20% of the purchase price.

Q: What are closing costs and how much should I expect to pay?

A: As a home buyer in Texas, you can expect to pay between 3-5% of the loan amount of your new home. These costs are separate from the down payment and include a home inspection, loan application / processing fee, loan origination fee, prepaid interest on your mortgage, appraisal fee, tax service fee, private mortgage insurance (PMI), and a prepayment of your home owners insurance premium, property taxes and HOA fees.

WORKING WITH A LENDER

Q: What is the difference between pre-qualification and pre-approval?

A: Pre-qualification means a lender has done an initial calculation of how much money you might be eligible to borrow. You provide a lender your approximate income, the amount of debt you're carrying, and other important details from your credit history.

Pre-approval means your financial situation has been verified by the lender. You will fill out a mortgage loan application and provide supporting documentation. The lender will examine your financial situation including credit report, employment history, income, etc. and decide what interest rate to offer and the maximum amount you would be permitted to borrow.

Although a pre-approval provides more certainty to a borrower than pre-qualification, it does not guarantee a mortgage loan.



FAQs

WORKING WITH A LENDER (continued)

Q: What is required for a mortgage pre-approval?

A: W-2's for the previous two years; Paycheck stubs for the last 30 days; Employment history for the last two years; Checking & Savings account statements for the last two months; Statements for 401ks, stocks, and other investments; Signed federal tax returns from the last two years; Residency history over the last two years; Photo ID; Check or credit card information for credit report and appraisal fee.

Q: How long does it take to get a mortgage pre-approval?

A: Typically between 1-10 business days to get approved for a mortgage.

Q: How long does a mortgage pre-approval last?

A: Most mortgage pre-approval letters are good for up to 90 days.

Q: What type of mortgages are available to me?

A: There are numerous types of mortgages available to meet everyone's needs. The most common mortgage types for first-time home buyers are Conventional (fixed-rate or adjustable-rate), FHA, USDA, and VA. Your lender will be able to help guide and educate you on these and other options that may be available to you.

Q: What is mortgage insurance (MI) and is it required?

A: Depending on your loan program or the amount of your down payment, you may be required to have MI. Anything less than 20% down requires MI. Because loans with small down payments involve more risk for the lender, they require insurance as a hedge against borrower default. The cost of MI varies according to your loan type, down payment, and credit score.

Q: What is included in a mortgage payment?

A: Principal, interest, escrow (property taxes and homeowners insurance), mortgage insurance and HOA or Condominium fees.



FAQs

DURING THE TRANSACTION

Q: What is earnest money?

A: Also known as an escrow deposit, earnest money is an amount agreed to in the real estate contract that you will pay to the seller within 3 days after entering into a contract. This deposit is a show of "good faith" that you intend to purchase the property. If the deal closes, the earnest money is typically credited toward your down payment and other costs of buying the home. If the transaction doesn't close, the terms of the contract determine who receives the earnest money.

Q: What is an option fee?

A: An amount agreed to in the real estate contract that you will pay within 3 days after entering into a contract as consideration for the right to cancel a pending transaction within a certain number of days (aka "option period"). This fee is usually a small percentage of the total cost of the home, rarely exceeding \$500. In exchange for the option fee, the buyer is allowed time to arrange safety and code inspections of the property they intend to purchase. Option fees are generally non-refundable if the buyer withdraws from the transaction.

Q: What happens if my appraisal comes in lower than the purchase price?

A: When an appraisal comes in low, the buyer's mortgage lender will not lend more than the appraised value. If this happens, there are a few actions you can take. (1) Parties can request a second look if a correction / revision is needed; (2) Buyer makes up the difference in cash; (3) Buyer and Seller renegotiate the purchase price; (4) Buyer exercises their appraisal contingency (if applicable); (5) Buyer walks away from the sale.

Q: How long does it take to close on a house?

A: On average, it can take around 30-45 days to close. However, different factors can lengthen or shorten the timeline. These include: market conditions, length of time to process your loan, length of time to process title, the results of the home inspection, and appraisal.

As you embark on the exciting journey of purchasing your first home, remember that preparation is key. Take the time to carefully examine your finances, connect with a local realtor who understands your needs, and get pre-approved with a reputable lender.

Once you're ready, the search for your dream home begins. Attend open houses, tour properties, and don't hesitate to submit offers on homes that speak to you. But remember, the process doesn't end there.

After finding 'the one,' it's crucial to conduct a thorough home inspection and ensure the property's value with an appraisal. Then, with the guidance of your realtor, navigate the final negotiations with confidence.

Finally, as you eagerly anticipate closing day, know that you're not alone in this journey. Treetop Realty Group is here to support you every step of the way.



Your dream home awaits, and we're here to help you make it a reality. Welcome to the Treetop family!

   @treetoprealtygroup