THE GUIDE

FOR FIRST TIME BUYERS

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The Statistics

So...

You want to buy a house.

You have a battle ahead of you. Here are the stats for 2024:

A record high of 26% of homebuyers paid cash for their homes. These are people you'll be competing with to buy a home.

First-time homebuyers made up 24% of the market. A historic low.

There are so many factors as to why that number is so low, a few of them being:

Today, rent is cheaper than a mortgage. It makes the rent vs own argument a lot more debatable.

Higher (comparatively) rates plus higher home prices make approvals harder to obtain.

Low inventory means slim pickings and can lead to a competitive market.

Despite all of that, I think it's still worth it. You probably do too, so I'm not here to convince you on that. I'm here to help you realize that it's possible.

Too many renters sit on the sideline, thinking they just can't buy. Well here are the tools to give you the confidence to take the first step.

It all starts with your budget.

KNOW YOUR

BUDGET

Know Your Budget

Before you talk with anyone, take a good look at your budget.

If you were to buy a home today, what payment could you comfortably work with?

What is a payment that might stretch your budget?

What is the payment that you absolutely cannot go over?

You'll need to know this beforehand, otherwise this could happen to you:

> *You contact a real estate agent. The agent refers you to their trusted loan officer. The loan officer takes your information and says "you're approved for $__ (fill in the blank).*
>
> *You go out and look at homes for $__. You find one you absolutely love. The agent helps you*

write an offer for $__. The seller accepts it. You're under contract. Congratulations!

Then you look at the Loan Estimate and you get what they call "sticker shock".

You think "I can't afford that" and you're about to call the realtor but then you, or you and your significant other start to rationalize.

"Well, we could make it work. I could pick up a second job and we could cut out __ and __"

So you stick with the contract. You buy the house. Congratulations! You're uncomfortably 'house poor' as they say.

Don't get me wrong here, I'm all for making it work if you want it badly enough, but in this scenario, the buyers are unsure if they can really make it work. They haven't gotten a second job yet, they haven't cut out __ and __ yet.

There's the saying "If you don't plan your time, someone will help you waste it". It's especially true here.

If you don't plan your money, someone will help you waste it.

Loan officers have a tendency to only reveal the max approval amount. Agents tend to show you homes right around that approval amount. But unless you press the loan officer for more specific details, he/she probably won't give them to you.

So how do I avoid sticker shock? How can I know ahead of time what a house will cost?

I'll show you.

CALCULATE

THE PAYMENT

Calculate Your Mortgage Payment

Your payment is broken up into 4 parts.

- Principal and interest
- Property taxes
- Homeowner's insurance
- Mortgage insurance

Principal and Interest

Principal and interest make up the loan payment.

If you pay this exact amount on a fixed rate over 30 years, you'll be done. There is no fluctuation. It can't go up or down. It stays fixed.

It's the most straightforward part of your loan.

[Here's a calculator for you]

This will give you the principal and interest.

It will also give you estimates on the other 3 parts of the payment.

I'll still walk you through what each one means.

A question you probably have is "if I haven't spoken to a mortgage loan officer yet, how will I know my interest rate?"

I'd use this site.

It's more realistic with rates. Other sites will advertise the lowest rate possible, but it comes with paying discount points.

This site also lets you know the day to day movements and trends with mortgage rates.

Property Taxes

Taxes vary property to property, depending on the state, county and city that they're in.

This covers local services like the library, schools, roads, and the fire department.

Zillow can make it pretty easy to find this.

Just search for properties in the area that you're looking in, and the price range you're looking in. Pull up a property, then scroll through the listing.

There's a section called "Public Tax History.” If it's empty, just pull up another property.

Once you find that amount, divide it by 12 for the monthly payment.

This is the easiest way, but not the most accurate.

Some states divide the tax bill payment to twice a year, instead of once. Arizona, for example, splits the tax bill like this. Just google "Arizona property tax due date" and you'll see if it's split up or not.

Homeowner's Insurance

This is hazard insurance (earthquake, fire etc.)

This also varies by city and state.

Outside of getting an actual quote, you can google: 'the average cost of homeowner's insurance in (insert city and state).'

Take that amount and divide by 12 for the monthly amount.

Mortgage Insurance

If you pay less than 20% down payment, you'll likely have to pay this mortgage insurance.

Mortgage insurance doesn't protect you. It protects the lender *from* you. If you default, the lender is covered.

If you're looking at an FHA loan with a minimum down payment, your mortgage insurance rate will be uniform.

Take the loan amount, multiply by 0.0055 and then divide by 12.

If you're looking at a Conventional loan, mortgage insurance will adjust depending on your credit score, your debt-to-income ratio, and your down payment.

For now let's use a factor of .0035.

Take the loan amount, multiply by .0035, then divide by 12.

Bringing it all together

I'll use a real scenario for this.

I'm looking at a $400,000 purchase price.

I plan on a minimum down payment, Conventional 3% down ($12,000) and a loan amount of $388,000.

Principal and Interest

If I use a rate of 7% and a 30 year term, the principal and interest payment will be $2,581.37

Property Taxes

The annual property tax bill was $2,136 in 2023 (not as recent, but still works). After dividing by 12, the monthly payment will be $178.

Homeowner's Insurance

Ogden Utah has an average annual rate of $1,170. Divided by 12 is $97.50.

Mortgage Insurance

Mortgage insurance will be the loan amount $388,000 x .0035 / 12 = $113.16 per month.

The Grand Total

The grand total payment will add up all of these payments into one single payment. $2,970.03.

HOA

HOA will not be in your mortgage payment, but it is a cost that you'll need to budget for, and the lender will count this HOA payment against your debt-to-income ratio (DTI).

Okay. We figured out the monthly payment.

Take a break. Stretch a little. Scream into a pillow. Here come the closing costs and down payment...

PLAN YOUR

COSTS

Plan For Your Upfront Costs

There are two bits to this:

Down payment and closing costs.

Down Payment

Here are some loan programs and the associated down payment:

VA

- $0 down payment.
- This loan is for eligible military veterans.

USDA

- $0 down payment
- Rural areas with household income limits.

Conventional

- 3% for first time homebuyers
- 3% with income limits for repeat buyers
- 5% without income limits for repeat buyers.

FHA

- 3.5% for all buyers
- The intention for these loans is for primary residences, and discourages using this program for collecting investment properties

Down Payment Assistance

These are usually state programs and vary state by state, but I've seen a few similarities.
- It comes as a second mortgage, and will cover the down payment and closing costs up to a certain amount.
- It might be a forgivable grant without a monthly payment.
- It might be a second mortgage with a payment. You'll want to factor this second mortgage into your payment if you go this route.

For a guide on down payment assistance for all 50 states, go here.

Closing Costs

Again, [this tool] can help estimate costs, but I'm going to go through it line by line so you can understand what and why the fees exist.

A rough estimate of closing costs is 2%-4% of the loan.

Lender Fees

Here are the lender fees you may see:

Underwriting

~$1,100 (The underwriter is a person that ensures your application matches the loan guidelines)

Origination Fee

This cost is variable. It’s whatever the lender feels like charging.

Discount Points

This fee depends on where rates are relative to your score and down payment.

You could take the rate with $0 discount points. Or you could pay money in discount points upfront to secure a lower interest rate.

Appraisal

~$700 This is to confirm the value of the property.

Processing

~$700 This may be charged if the loan officer needs help keeping your loan organized.

Verification of Employment

~$100 This may be charged if the lender needs to verify your employment through a paid, third-party system.

Credit Report

~$100 This is charged by the credit bureaus (Experian, TransUnion, Equifax) to review your repayment history.

Flood Certificate

~$8 This determines whether or not your house is in a flood zone.

Mortgage Registration Fee (MERS)

$25 This fee registers your loan in a national database that tracks mortgage servicing.

Sometimes mortgage lenders don't want to handle your loan, so they pass it around like a hot potato. (This doesn't change your loan at all, just who you make the payment to.)

Survey fee

~$400 Only some states require this. This is charged to verify the property's boundaries.

Lender Title Fees

These fees vary by state and loan amount.

A $388,000 loan amount in Utah would have a total of about $1,794 in title fees.

Use this title fee calculator to estimate the loan policy and other fees.

Just select your state and enter the loan amount.

It may give you two separate policies: The lender policy and the owner's policy.

In most states, it's customary for the seller to pay for the owner's coverage. But the buyer will cover the lender's policy.

Other Fees

Here are the other costs you may see:

Recording fee

~$80 This fee depends on your county. It registers you as the owner in the county records.

Transfer tax

This fee depends on the state; there are 14 states that do not charge a transfer tax.

In Florida, for example, they charge 0.7% but in Utah there isn't a transfer tax. Take that loan amount and multiply by 0.007 in Florida and you'll end up with a $2,716 charge.

Google "Property transfer tax fee in _ state" and you should be able to calculate it.

Prepaid Homeowner's Insurance

Remember when we found the monthly payment for homeowner's insurance? You'll need to pay the annual policy in full up front. The monthly amount is really just set up to save for next year's bill.

In Utah, that bill was $1,170.

Prepaid Interest

Prepaid interest depends on the day of the month you close.

You'll pay interest for the remainder of the month. If you close on the 1st of the month, you'll get charged for the 30 days.

If you close on the last day of the month, you'll be charged 1 day of interest.

The daily interest is your annual rate (7% in this case) divided by 365. Then multiply that by the loan amount. That's your daily rate.

Example: .07 / 365 x $388,000 = $74.41 interest per diem.

Property taxes

You'll get charged a little bit of property taxes up front. The seller will pay for their portion of property taxes for the year, and you'll pay about 5 months worth up front.

Real Estate Agent and HOA fees

Your real estate sales agent's brokerage might have a fee. Maybe around $500, but you'll want to ask the sales agent about these fees as you decide on an agent.

The NAR settlement might have emboldened some sellers. It's possible you could see a case where the seller refuses to pay for the buyer's sales agent's commission. If that's the case, then you as the buyer would need to pay that commission out of pocket.

If there is an HOA on the property, and if the property charges a fee to transfer the account into your name, there could be a chance that you end up paying that HOA transfer fee. Negotiate with the seller to pay for this one.

Putting It All Together

Okay, I'm going to continue the example of my Ogden City, Utah purchase, and show how to plan for closing costs.

I'll go with an interest rate that does not charge any discount points.

This loan does not have an origination fee.

I'll plan on paying for:

- Underwriting
- Appraisal
- Processing
- Credit report
- Flood certificate

- VOE
- MERS
- Lender title fees.
- Utah does not require surveys for purchases

The lender fee total should add up to ~$4,527

For the "Other Fees" which are more related to homeownership costs, I'll plan on paying for:

- The recording fee
- Utah does not have transfer taxes.
- 1 year of homeowner's insurance
- Prepaid interest, let's say I close on the 16th so I'll have about 15 days of prepaid interest ($74.41 x 15)
- ~5 months of property taxes($178.00 x 5)
- And let's say the seller is paying for the agent's commission and I have to pay a $500 broker fee.
- This home does not have an HOA.
- The "Other Fees" should add up to about $3,756.15

My grand total in closing costs will be ~$8,283.15

My total cash needed at closing will be my down payment **plus** closing costs **minus** any seller credits negotiated.

Let's say in this case the seller didn't pay any seller credits, so I'd be left with a total out of pocket of about $20,283.

*$12,000 down payment **plus** $8,283 closing costs*

At the beginning of this section I mentioned closing costs would be about 2%-4%. This $8,283 total landed at 2.1% of the loan amount.

With Utah having lower homeowner's insurance, lower title insurance, lower property taxes, and no transfer taxes, you can see how it could easily get into the 4% territory in a more expensive state.

Take another break. Get some cold water on your face. You just found out how much it costs to own a home.

If you're short on funds, check out the next chapter with some ideas to get you there.

SAVE FOR

THE

COSTS

Saving For The Upfront Costs

You might have gotten to this point and thought "I can't save $100, how can I save for $20,000?"

The good news is you might have been saving for this moment without even realizing it.

Get a Gift

Okay, you didn’t technically save for this, but maybe your parents have been planning to help you buy your first house. Just give them a call, see how they're doing, and ask them for money.

They might laugh at you. But they might also say "Yeah, we've been planning for this."

Sell an Asset

Do you see that decent car parked outside?

Maybe it's time to downgrade.

Good thing your new house will be walking distance from your job and the grocery store.

Retirement

For a first time purchase, you may have an option to pull up to $10,000 from your 401k or retirement account without the early penalty.

Double check this, rules change.

Take Out a Loan

See that decent car parked outside?

Remember how you dedicated that extra money to pay it off early?

Well underwriting will let you pull money out as a loan against that car and count it as an asset.

Unsecured loans do not work (credit cards, personal loans etc.)

Factor in the new debt into your debt-to-income ratio, because this option might just ruin your shot at qualifying.

Negotiate Seller Credits

A large chunk of the money you'll need is in closing costs.

A seller cannot pay for your down payment, but they could pay for your closing costs.

If you're doing a Conventional loan with less than 10% down payment, the seller is allowed to contribute up to 3% of the purchase price toward your closing costs.

If you're doing an FHA loan, the seller is allowed to contribute up to 6% of the purchase price toward your closing costs.

Down payment Assistance

Down payment assistance can come in the form of a loan, or a forgivable grant.

If you need help finding down payment assistance programs by state and city, check out this guide

Getting Pre-qualified

So you know how much money it's going to take, both up front and monthly.

You're feeling confident now, but you could be feeling a little more confident.

You have that nagging thought, will I even get qualified? What if they tell me no?

I can handle the payment, I have the money for the down payment and closing costs, but they still might tell me no.

Here are a few tips to let you know if you'll qualify ahead of time.

REVIEW

THE RATIOS

Check Out Your Debt-To-Income Ratio

Your debt-to-income ratio, or DTI, is exactly how it sounds. It's your debts, divided by your income, given as a percentage.

Now these aren't ALL of your debts. You don't need to go around collecting things like your Netflix bill, or your cell phone bill. It only refers to the debts that actually show up on your credit report.

For easy numbers, if I make $100 per month, and I have a credit card that charges me $1 per month, my current DTI is 1%

If I apply for a mortgage, and that mortgage is $20 per month, my total DTI will be 21%.

Now for an FHA loan, a lender might also look at DTI two ways. Your housing to income ratio and then your total DTI.

In this scenario I have a 20% housing ratio, and a 21% total DTI ratio. 20% because my housing payment is 20% of my income, and 21% total DTI because that's all of my debts, the credit card plus the mortgage.

Conventional and FHA loans won't qualify you if your DTI ratio is too high.

Where do they draw the line?

Conventional will push it as high as 49% DTI at the moment. (It's stressful to toe the line though, if homeowners insurance comes in higher than estimated, you could suddenly get disqualified)

FHA will want your housing ratio under 47% and your total DTI under 56%

VA doesn't have a specific rule on DTI. They're more concerned about residual income (what's left over after the bills are paid.)

This next part has a few sections that you'll be able to skip. You'll need to know how underwriting will view your income. People have different pay structures. Find yours, and calculate your income. Skip the rest of the pay structures.

How does underwriting calculate income?

This can be really simple if you're a salaried employee

Take your annual salary, divide it by 12, and you're done. That's it. That's your monthly income.

$60k salary / 12 months = $5k monthly income

Not everyone's income is that easy though. There's

- Hourly, with guaranteed hours
- Hourly, with varying hours
- Commission
- Bonus
- Overtime
- Seasonal
- 2nd jobs
- Piece-rate
- Paid-by-the-mile

- Self employed
- There are more, but this will hopefully cover 95% of us

Also, as a side note, almost everything you need to know about how underwriting calculates income can be found on Fannie Mae's selling guide here.

Hourly with guaranteed hours

This one is just as good as a salary.

Hourly rate x guaranteed hours per week x 52 / 12

So if I'm $40 per hour and 40 hours per week, I'd take 40 x 40 x 52 / 12 = $6,933.33 per month

Hourly with varying hours

If you worked with a single company for the entire calendar year Jan 1st to Dec 31st, you could look at that year end paystub. Take that Gross YTD amount and divide by 12, that is the quick and rough way to calculate your income.

If you're a few months into the new year and want to get more precise, take the year end pay stub, then take your most recent pay stub, we'll say it is covered through the end of March.

Add up the YTD for each pay stub and then divide that by 15. That will be your monthly income.

Example: 2024 I made $61,245 on my hourly YTD gross.

On my most recent pay stub that covered halfway through May I made $22,966. That's 4.5 months into the year (May isn't done yet, so it isn't quite 5)

I'll add $61,245 + $22,966 = $84,211 then divide by 16.5 (12 months + the 4.5) = $5,103.69 per month.

Commission/Bonus/Overtime

These are calculated the same way. Grab a 2 year history and average it out. If any of these are lowering year to year, then that income might not be included at all. If it has declined, but then stabilized, it may be included.

The easiest way to calculate this would be to grab your two most recent end of year pay stubs and look at the line that says "Commission" or "Bonus" or "Overtime".

Then look at your most recent pay stub, we'll say it's mid May again.

- Overtime in year 1 was $13,850
- Overtime in year 2 was $14,950
- Overtime through mid May $5,700

Add up the totals and divide by 28.5 months = $1,210 overtime per month

Seasonal Income

Let's say you're a teacher and pick up a job every summer doing entertainment on a cruise line because you're also a fairly talented singer.

As long as you've been doing the cruise line for 2 years, just take your 2 years of W2s from the job and divide it out by 24. That will be what underwriting counts as your monthly income for qualifying.

- Year 1 W2 = $21,000
- Year 2 W2 = 22,500

$43,500 / 24 = $1,812.50

Second Jobs

Second jobs are viewed and calculated similar to Seasonal Income.

If you have two years of history of working a second job concurrently with the primary job, then they'll count it.

It will likely be a varying hour position. I'd use your two end of year pay stubs, and your most recent pay stub to calculate your average.

- Year 1 pay stub = $22,000

- Year 2 pay stub = $22,500
- Mid May pay stub = $8,437.50

$52,937.50 / 28.5 = $1,857.45 monthly that you'd be able to count toward your qualifying income.

Piece-Rate/Paid-By-The-Mile

I've seen underwriters get real picky with truck drivers' income. It can get especially difficult if they've recently switched from one structure to another, by the mile to hourly, or vice versa.

Any change to your pay structure can reset the clock on this. The same goes for employees who are paid by piece.

What you'll need is 12 months of history minimum, and your most recent 12 month average will be your qualifying income. Example:

Let's say you started September 1st last year, and it is conveniently September 1st of this year.

Take your end of year pay stub, and then your most recent pay stub (covering through the end of August) and divide that by 12.

- Last year $26,667
- This year to date $53,333
- $80,000 / 12 = $6,666

Self Employed

They call self employed income “the double-edged sword” in lending.

On one hand, business owners hate paying taxes, so they write off as much as they can. But on the lending side, as you write off your expenses, you are at the same time lowering your qualified income.

There are a lot of ways you can set up your business. I'm going to take the easiest one, Schedule C (LLC), and work with that.

If you're doing an FHA loan, you'll do an average of 2 years. If the most recent year is declining from the prior year, it will be under more scrutiny. "Why are you making less this year than last? Is your business failing? Should we plan on more decline?"

If you're doing a Conventional loan, you'll also do an average of 2 years, but may only need 1 year as long as you've been operating the business for over 5 years total.

If you look at your tax form at the schedule C, line 31 shows your net profit. Simple math says take that number, divide by 12 and that's the year's monthly income.

There are only a few write offs that can be added back into the income: Depletion, depreciation, and business miles traveled.

The write off "meals and entertainment" get removed from the total income.

Business miles traveled are returned to the qualifying income depending on the IRS mileage rate for the year. (0.64 per mile in 2024)

Let's do a quick example of how I'd look at calculating my income as self-employed.

- Year 1 Net profit = $84,000
- Year 2 Net profit = $84,000 and $1,000 depreciation was written off.
- $169,000 / 24 = $7,041.66 monthly income.

I built a calculator for you if you need help figuring out what underwriting might use for your income. [This should make it easier.]

Debts

Earlier, I mentioned that you only need to include the debts that show up on your credit report. That wasn't 100% true. There are a couple of things that you'll need to consider outside of the credit report.

- Child Support
- Alimony
- Student Loans
- Collections in aggregate totaling over $2,000

You may have student loans that have deferred payments, meaning a payment isn't reporting on your credit report. Lenders usually won't allow that to be at $0.

They'll take your student loan balance and calculate a monthly payment as a placeholder, which will count against your DTI

Fannie Mae (Conventional): 1% of the student loan balance. ($50,000 x .01 = $500 monthly payment)

FHA and Freddie Mac (the other Conventional): 0.5% of the student loan balance ($50,000 x .005 = $250 monthly payment)

On an FHA loan, if I have a collection for $1,200 with one company, and $900 with another, I'll need to factor in 5% of the balance as a monthly liability.

$2,100 x .05 = $105

Bringing It All Together

Let's build out a profile. Here are the debts:

- Auto loan $255 monthly payment
- $56,000 in student loan debt
- Credit card payment $25 monthly payment
- No child support or alimony
- No collection accounts
- New mortgage payment $2,970.03

Let's calculate the income:

- $43 per hour
- Guaranteed 40 hours per week
- $1,115 per month in overtime income, but only 6 months on the job
- Previous job did not pay overtime

Conventional

If we're going with a Fannie Mae Conventional loan, we'd factor in a student loan payment of $560.00.

So total debts are $560 + $255 + $25 +$2,970.03 = $3,810.03

For income, we won't include the overtime income because we don't have at least 12 months history receiving it.

$43 x 40 x 52 / 12 = $7,453.33

Now to get the DTI ratio, we must take debts / income.

$3,810.03 / $7,453.33 = 51.11%

For a Fannie Mae Conventional loan, this person would not qualify, because the debt-to-income ratio is above 49%

If we pivot to Freddie Mac, the debts would look a little different. The student loan would be half of that amount.

$280 + $255 + $25 +$2,970.03 = $3,530.03

$3,530.03 / $7,453.33 = 47%

Without looking at other things like credit score and other credit events, this would qualify for a Freddie Mac Conventional loan.

Let's go through a quick exercise to calculate the two ratios for an FHA loan to see if this would qualify.

FHA

With FHA, your mortgage insurance cost is higher, which also raises your monthly payment. I'm going to add about $65 per month to the mortgage insurance.

$2,970.03 + $65 = $3,035.03 new housing payment

$3,035.03 / $7,453.33 = 40.7% housing ratio, or the "front end DTI" (this qualifies with FHA)

Then the total DTI is $3,595.03 / $7,453.33 = 48.23% total DTI or the "backend DTI" (This qualifies with FHA)

Don't hate me

After going through all of that manual calculating for debt to income, I present to you a calculator that will tell you what your DTI is, and will let you know if it lands within the max allowable guidelines.

If DTI is an issue for qualifying, here are some tips to lower your DTI...

LOWER

THE RATIOS

Lower Your DTI

If your DTI becomes an issue, all is not lost.

I don't recommend pushing your DTI too high because it will hurt your budget and possibly make you house-poor.

But when the DTI gets tight because of something like a student loan payment, which is a hypothetical payment, or because underwriting won't take your bonus income into account, then I think these tips will be helpful in lowering your DTI.

Get a Cosigner

This is the easiest, because as long as the cosigner's DTI is better than yours, and if the credit score matches yours or better, then this will be a net positive.

Omit Some Debt

You can omit certain debts from your DTI ratio if:

- You have less than 10 months to go on an installment debt
- You have an income driven repayment plan on your student loans for $0 per month (Fannie Mae Conventional only, not deferred, income driven repayment)
- Someone else is paying the debt (12 months proof required)

These are very specific, but if they apply to you, make sure your loan officer knows.

Sell The Asset Attached To The Debt

If you can live without it, getting rid of that monthly payment completely by selling the vehicle can help lower your DTI.

Restructure Your Debt

If your credit card payments are mounting, and if your car has equity, consider a cash out refinance on your vehicle. Compare the proposed payment to your current payments, if it's lower, then it's better for your DTI ratio.

If you don't have credit card payments, maybe just refinance your auto loan. Kicking it back out to 5 years, while hopefully lowering your interest rate, will help lower that payment.

You can always pay your previous payment and keep it on the same schedule.

Use Some Of Your Down Payment Money

If you have saved up more than the minimum down payment for the purchase, consider using it to pay off some of your debts instead. By doing this you're switching your short-term debt to long-term debt.

This isn't great personal finance advice. You'll have a higher loan balance spread out over 30 years vs the debt on a 5 or 6 year loan. But it will lower your DTI on paper.

Consider a Different Loan Program

For self employed borrowers who show a loss on taxes but still make money, there are programs that utilize bank statements or profit and loss sheets to calculate your income.

These programs have higher rates and require higher down payments (Think 20%+)

Haggle With Your Employer

Let's say your pay structure is one of the variable types, like commission, overtime, or bonuses, and you have a short time receiving it.

Underwriting won't take into account that overtime unless you have 12-24 months.

But they will take a salary.

See if you can work out a salary that matches what you are really paid (hourly plus variable income).

On the underwriter's paper, your income just went up, even though you'll probably be making the same amount of money.

Also, check if your employer will give you a raise. Might as well.

CHOOSE

Select Your Lender

If you've started from the beginning, then you have a pretty good idea that you'll qualify, you'll have a good idea of the up front costs, and you'll have a solid idea of what the monthly payment could be.

It's time to choose a lender and get that pre-approval letter.

A pre-approval letter strengthens the offer you make on a home.

An offer that is contingent on financing (a loan) gives the seller a little bit of worry in the back of their mind. "Maybe they won't get the loan" so if you can give an assurance that the financing has been pre-approved, it will give you an edge over a competing offer that hasn't been pre-approved.

There are three different options you could work with in lending

- A local mortgage broker

- A local bank or credit union
- An online lender

Here are some of the benefits of working with each of these:

Brokers represent multiple lenders and have access to multiple options and rates

Your bank probably has your checking and savings accounts. This could make some document gathering easier

Online lenders offer technology and ease of online use

If you need help finding a local mortgage broker, a good one who I'd trust, fill out this form here.

Getting Pre-Approved

Here are some of the documents you'll need to get pre-approved

- W2s for 2 years
- Pay stubs covering 30 days
- 2 months of bank statements showing the money for up front costs
- 2 years of taxes if self employed

You'll need a credit pull done, the impact to your score is minimal for a credit inquiry, 0-5 points.

Here is something I wish every loan officer did.

Review the credit report.

Don't just review it to make sure nothing alarming pops up.

Review it for opportunities to increase the score.

Rates, costs, and mortgage insurance can improve when your credit improves.

Rates and costs are in credit tiers. Those tiers are divided by 20 point increments, like 720 - 739 is a tier.

If you're sitting at a 739 credit score, boosting it to 740 is very possible. But so many loan officers overlook this. They give you rates and costs as if you'll be 739 forever.

Good loan officers review what it takes to get to 740 so you can get a better loan

A Word About Trigger Leads

The credit bureaus monitor your credit. A big chunk of their income is from ‘pre-screened offers.’ This is why you get credit card offers in the mail.

When you get your credit pulled for a mortgage, the credit bureaus will sell that information to every lender that’s willing to pay.

There are a lot of them willing to pay.

A week before applying, go to https://www.donotcall.gov/ and register your phone number. This will save you the headache of 50 spam calls per day.

Once You're Pre-Approved

Ask for a detailed cost sheet, rate, and monthly payment. Make sure you're staying in your budget.

Some lenders won't tell if you don't ask.

A real estate agent is someone who will be by your side through the whole process.

They're your advocate and your intermediary. They shield you from the stresses, but keep you informed. A good agent will shape your whole experience.

But also remember, the agent works for you. You choose who you want to work with.

CHOOSE

YOUR

AGENT

Select Your Real Estate Agent

This is what I keep in mind, and what I would look for in a real estate agent:

- The most experienced agent isn't necessarily the best

- Look for someone who aims to educate. You're a first-time homebuyer after all, you're going to have a lot of questions. You wouldn't want someone who gives short answers, expecting you to know it all.

- Look for someone who communicates well. This will be needed for clear and effective negotiations on your behalf

- Avoid a dual agent, or the listing agent of the home you're trying to buy. They will not be loyal to you if they represent both sides of the deal

- Someone who is full time. There are too many hobbyists and part time real estate agents who will have their time and attention split

- I would be wary of an agent that is brand new to the business. Who wants to test their first time home purchase with a first time agent? Any volunteers? This is an expensive transaction

- I wouldn't go with someone just because 'so and so' knows them. Did 'so and so' actually work with them? How was their experience? Did they check all the boxes?

Where to find one

- Check out online reviews

- You can always find a realtor at an open house. Talk to them as sort of an interview, see if it feels like you'd enjoy working with them

- Or make it easy on yourself and fill out this form. I’ll connect you with a good one

A Word About The NAR Settlement

The settlement ended the practice of listing the agent compensation on the MLS (the catalog of homes listed).

The reason they agreed to that is because they wanted to dissuade real estate agents from only showing properties to buyers that had a high paying commission.

My Opinion

I don't think much will change. Agents are asked to be more transparent with setting the commission. But the commission was always negotiable.

Sellers will likely continue paying for the buyer agent's commission. But you will want to be careful when signing agreements. If the seller of a property refuses to pay for a buyer agent's commission, you may be stuck paying your agent's fee.

Luckily, everything is negotiable.

When you meet with your agent, make a list of must-haves (bedroom count, bathroom count, location, size) and then make a separate list of wants, but not deal breakers if it isn't there.

SHOPPING

FOR YOUR HOME

Shopping For Your Home

I had a terrible experience ring shopping for my ex-wife.

I visited 3 stores in total.

At the first store I was overwhelmed with the sales process and the price tag.

The 2nd store was slightly less overwhelming.

By the 3rd store I was done shopping and said "let's just do this one" and settled on a ring with a price tag double what I was planning for.

I bring this up because you may feel overwhelmed, and if you visit too many homes, you may just make an emotional decision out of exhaustion or desperation.

Here are some tips for this stage of the process:

- Stick to your budget, or recalibrate thoughtfully

- Don't get emotionally attached until closing. You may love a home, but then discover some glaring issues that could cost you significant money or stress later.

- Don't make emotional decisions. Take a second after you visit the home and list your thoughts.

- Limit the number of homes you visit. This will help regulate your exhaustion

- Don't tempt yourself with homes above your approval limit

- Set up a listing alert with your agent so you’ll get email notifications every time a new home hits the market that meets your must-haves.

Making An Offer

You found a good one! Here's what writing an offer can look like. You can negotiate

- The purchase price
- Deadline dates (due diligence, financing, appraisal deadlines)
- The length of the contract. 30 days is customary, but do you need more time?
- Seller credits. Need to lower the total amount of cash needed at closing? This is a good way to do it.
- Repairs. Do you see something that needs fixing? Put in the contract that the seller will fix certain items before closing.
- Personal items. Did you like the couch? Add it in the contract. Fixtures like curtains or blinds might already be drafted in your contract, but anything else, appliances, furniture, the projector etc. will need to be written in.

In a competitive market

Are you making offers on multiple homes and getting rejected?

Either you're making low offers, or you're in a competitive market.

In a competitive market you and your team will need to approach offers a little differently. You'll want to aim at making less friction for the seller, and boost the seller's confidence in you.

Here are some things you can do to strengthen your offer:

- Have your agent call the listing agent BEFORE you make the offer. The agent might be able to glean what matters most to the seller, and then help you structure it accordingly

- Have your lender check for an appraisal waiver. If you are putting 20% down or more toward your loan, it may be eligible for a waiver. Appraisals can slow down the process. Waiving that piece will speed things up.

- Have your lender call the listing agent to further authenticate or endorse you as a buyer. Pre-approval letters are standard. A call from the lender stands out.

- If the lender offers guarantees, use them. Some will offer "close on time" guarantees.

- Play to the emotional side of it. Get a letter typed up explaining how you and your family are looking forward to calling this home. Sellers might like the idea of selling to someone who will call it home, rather than an investor.

Brainstorm these ideas and anything else with your agent and lender to form a gameplan to help you win on your next offer.

Earnest Money

In your offer that you write, you'll likely be including an amount as a deposit. That is called your earnest money. It's money placed in a third party trust account or escrow account.

It is there to serve as payment for damages if you are unable to fulfill your end of the contract.

Let's say you inspect the house more thoroughly and it doesn't pass. You don't want to buy the house anymore. What happens to the earnest money? Is it gone?

In your offer, you'll have written up in what circumstances the earnest money can be returned to you.

Sometimes it's built into the deadlines. The financing deadline for example. You might have a clause that states "if buyer cannot obtain financing before the financing deadline, $x is returned from the earnest money deposit."

Depending on the verbiage in the contract, you might not have to kiss that earnest money goodbye the minute it's deposited.

UNDER

CONTRACT

You're Under Contract

The seller took the offer! Now what?

Now you'll want to find out as much as possible about the property.

Inspection

Plan on about $500 for a home inspection, then $500-$700 for an appraisal.

Why would you want an inspection?

Imagine finding out the roof is damaged or leaking after you move in. Or you find a huge foundation crack. Or the electrical wiring poses a fire hazard. Or if radon levels are at a hazardous level.

The $500 inspection will help you catch these things early, and then negotiate either additional seller credit toward closing costs, or negotiate that those items get repaired prior to closing.

Appraisal

The $500-$700 appraisal will help the lender know if the home is being purchased below value.

If the appraisal comes in lower than the purchase price, you can negotiate a lower purchase price, or you'll need to cover the difference in cash. Or maybe it was already negotiated in the contract that the seller would come down in price if the appraisal came in lower.

If the appraisal comes in higher than the purchase price, you don't need to do anything unless the contract addresses it.

Most of the time, it just means you come into the deal with a little bit more equity than you had planned on.

Underwriting

Underwriting is the stage where the lender verifies that your loan and financial profile check all the boxes.

Get your documents to your lender ASAP. If you delay getting them documents, you risk missing the deadlines in your contract.

Do NOT change anything about your financial profile.

Don't go on vacation if your income is a variable type of income.

Don't change jobs.

Don't apply for other loans.

Don't deplete your savings account to buy furniture when it should have gone toward the down payment.

Don't transfer a bunch of money around.

Here's that again in bullet points, because I think it's worth repeating. Do NOT:

- Stop working your job
- Change jobs
- Apply for loans
- Transfer a bunch of money around
- Deplete your savings

In fact, if you can, put your money into a separate savings account ahead of time. That account can only receive money. It doesn't pay bills, it doesn't pay rent, all it does is save for your mortgage.

When underwriters see your money in a checking account, they really do go through your charges.

They'll see if you get overdraft fees. They'll see if you spend money at Buffalo Wild Wings, and they'll see some charges that might raise an eyebrow. Then they'll ask for documentation to ensure that it isn't a recurring debt that needs to be counted against your liabilities.

Make it the most boring savings account possible.

Underwriting is the part of the process where the lender will double check everything.

They'll want updated pay stubs, they'll call your employer and make sure that you're still working there, sometimes right on the day you close.

They'll want letters of explanation for anything, like why your credit was pulled 1 month before you applied for the mortgage.

They'll pull your tax transcripts and make sure it matches your W2s or business taxes if you're self employed.

The lender will also check if this home is in a flood zone. If it is, you'll need additional insurance.

Homeowner's Insurance

Now it's time to shop for homeowner's insurance.

Consider bundling your homeowner's insurance with auto or other policies to get a better rate. You can opt to pay for it up front or at closing.

You'll need a declarations page, and the policy must be effective as of your closing date.

Locking Your Interest Rate

Up until now, your interest rate hasn't been locked. It's been 'floating'. A lock will usually stick with a social and a property address. If you don't have a property address, you don't have a locked interest rate.

What a lock does is it secures your interest rate for the length of your contract (assuming your contract is between 14 days to 90 days).

A major mistake you can make is just assuming your rate is locked. The loan officer will always put the blame on you. "The buyer never requested to lock the rate."

Well, you didn't know about rate-locking until now.

There isn't anything more frustrating than getting to closing, only to find out that your rate went up an entire 1% and the monthly payment went up $300 per month.

All because your rate was never locked.

When you lock your rate, it protects you if rates go up. But what if rates go down after you've locked your rate?

If rates have gone down, check with your lender about 'renegotiating the rate.' If rates drop significantly, you may be able to take advantage of it.

NEGOTIATING

YOUR LOAN

Negotiating With Lenders To Get The Best Loan

If you haven't committed to a lender yet, once you've gotten under contract you'll want to pick your lender quickly.

Other lenders may have only been giving you spreadsheets for quotes, and you haven't been able to pin down which lender has the best rates/costs.

If you love the thrill of the back and forth between companies, pitting them against each other to get the best deal, then this is your time to shine.

Don't spend very long on this part. Two days max. Otherwise you risk missing the deadlines in your contract.

If you get anxiety thinking about haggling, then skip this part.

If your loan officer has done a great job helping you get under contract with your agent, and you feel a sense of loyalty, then skip this part.

If you’re not sure if you’re being taken advantage of, fill out this form and upload your loan estimate. We’ll let you know.

This is where I instruct you on how to make sure you get the best deal.

The loan officers may despise you. They may throw confusing jargon and numbers at you, maybe even insults, but you'll know better.

Step 1. Request 1 Loan Estimate From 1 Lender

Wait, why just one?

Don't worry, you'll get to compare multiple Loan Estimates.

Keep these things in mind:

Lenders might quote completely different programs, so it will be impossible to compare them side by side

Examples would be 1 quotes FHA, the other quotes an ARM, and the other quotes a 30 year fixed rate.

When you get your credit pulled once, the credit bureaus allow you to shop without further damage to your credit from additional credit pulls. If mortgage-related pulls are done within 45 days of each other, then they'll count as if it were just 1 pull.

Lenders will withhold certain fees to make their offer appear better than it really is.

Some fees are determined by third parties, like homeowner's insurance, property taxes, and title fees. I'll outline the fees you'll want to compare side by side.

If you haven't locked in a rate with any of the lenders, then you'll want to gather these Estimates on the same day. Rates change day by day

If you're under contract, then you'll want to make your decision quickly. Give it 2 days max before deciding. Jeopardizing the contract might not be worth the $1k in savings

Let's look at the first Loan Estimate, here's an example of page 1, and I've highlighted things to watch out for:

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
Anytown, ST 12345
SALE PRICE $180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ ____________
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on ***3/4/2013*** *at 5:00 p.m. EDT*

Loan Terms		**Can this amount increase after closing?**
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	**NO**
		Does the loan have these features?
Prepayment Penalty		**YES** • **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		**NO**

Projected Payments

Payment Calculation	**Years 1-7**	**Years 8-30**
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow *Amount can increase over time*	+ 206	+ 206
Estimated Total Monthly Payment	$1,050	$968

Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$206 a month	**This estimate includes** ☒ Property Taxes ☒ Homeowner's Insurance ☐ Other: *See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.*	**In escrow?** YES YES

Costs at Closing

Estimated Closing Costs	$8,054	Includes $5,672 in Loan Costs + $2,382 in Other Costs – $0 in Lender Credits. *See page 2 for details.*
Estimated Cash to Close	$16,054	Includes Closing Costs. *See Calculating Cash to Close on page 2 for details.*

Visit **www.consumerfinance.gov/mortgage-estimate** for general information and tools.

Check these things:

Is the rate locked? It doesn't need to be, just keep it in mind

What is the loan type and term? Conventional? FHA?

Did the lender get the sales price and loan amount correct?

What is the interest rate?

Does it have a prepayment penalty? (fee if you pay it off or refinance it before a certain time)

Does it have a balloon payment (due in full before the 30 years)

How much is being charged in mortgage insurance (this will vary lender to lender with Conventional Loans)

Now let’s look at page 2 where the fees will be itemized.

Closing Cost Details

Loan Costs

A. Origination Charges	**$1,802**
.25 % of Loan Amount (Points)	$405
Application Fee	$300
Underwriting Fee	$1,097
B. Services You Cannot Shop For	**$672**
Appraisal Fee	$405
Credit Report Fee	$30
Flood Determination Fee	$20
Flood Monitoring Fee	$32
Tax Monitoring Fee	$75
Tax Status Research Fee	$110
C. Services You Can Shop For	**$3,198**
Pest Inspection Fee	$135
Survey Fee	$65
Title – Insurance Binder	$700
Title – Lender's Title Policy	$535
Title – Settlement Agent Fee	$502
Title – Title Search	$1,261
D. TOTAL LOAN COSTS (A + B + C)	**$5,672**

Other Costs

E. Taxes and Other Government Fees	**$85**
Recording Fees and Other Taxes	$85
Transfer Taxes	
F. Prepaids	**$867**
Homeowner's Insurance Premium (6 months)	$605
Mortgage Insurance Premium (months)	
Prepaid Interest ($17.44 per day for 15 days @ 3.875%)	$262
Property Taxes (months)	
G. Initial Escrow Payment at Closing	**$413**
Homeowner's Insurance $100.83 per month for 2 mo.	$202
Mortgage Insurance per month for mo.	
Property Taxes $105.30 per month for 2 mo.	$211
H. Other	**$1,017**
Title – Owner's Title Policy (optional)	$1,017
I. TOTAL OTHER COSTS (E + F + G + H)	**$2,382**
J. TOTAL CLOSING COSTS	**$8,054**
D + I	$8,054
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	$8,054
Closing Costs Financed (Paid from your Loan Amount)	$0
Down Payment/Funds from Borrower	$18,000
Deposit	– $10,000
Funds for Borrower	$0
Seller Credits	$0
Adjustments and Other Credits	$0
Estimated Cash to Close	$16,054

The fees that you will want to compare side by side are in section A,B, and J “Lender Credits”

All other fees are out of the lender's control, so you wouldn't want to compare them to other lenders.

One loan officer might not have a good idea of how much homeowner's insurance is, or how much property taxes are, so just don't look at the fees.

Let's use section C as an example. It says "Services You Can Shop For".

You may not know this, but your Real Estate Agent likely has a title company they he/she likes to work with, and is probably assuming that you don't know any title companies.

So this title company has already been selected. If you didn't know that, then the lender probably didn't know it either. Those fees are just the lender's best guess if the lender hasn't been in contact with the title company.

Sections E,F,G and H will be the same regardless of the lender.

Property taxes are determined by the county.

Homeowner's insurance is determined by the carrier.

Prepaid interest is determined by the day you close. If you close on the last day of the month, you'll be charged one day of interest. If you close on the first day of the month, you'll be charged 31 days of interest.

So add sections A and B, then subtract any lender credits in Section J, and that's your total. That's your mark.

Now here's the next step.

Step 2. Request Your 2nd Loan Estimate

There's a crucial key to this step.

You'll want to request the exact same product at the exact same rate.

But that doesn't make sense! I'm *rate* shopping.

No, you’re not.

You’re cost shopping.

You see, lenders can offer the same rate to everyone. That’s why when a loan officer says “I’ll match anyone’s rate” you’ll know it’s meaningless.

"Yeah, you can offer that rate, but how much is it going to cost?"

When you get the same product at the exact same rate, then you can compare the loan side by side.

For that second loan estimate you’ll be able to add Sections A and B and subtract any lender credits in Section J.

Then whoever has the lowest cost is the winner. That lender has the best rates, even though you didn’t shop the rate. You shopped the costs.

Vacuum Cleaners

If two people knocked on your door at the exact same time selling a vacuum cleaner, you might be thinking “oh sweet, I was about to leave to the store to buy a vacuum cleaner, now I don’t need to”

If one pitched a vacuum cleaner at a higher price, he might be able to sell certain exclusive features.

There could be this argument on your porch about features and value and other differences.

But let’s change the scenario. Let’s say they were selling the exact same vacuum cleaner. The same manufacturer, the same model. They’re identical.

But one person was selling it for $30 dollars cheaper than the other.

Suddenly the argument becomes much less convincing for the higher price point. The vacuums don’t have different features. They don’t have different functions. They work the exact same way.

A fixed for 30 conventional mortgage is going to function the exact same as another 30 year fixed rate conventional mortgage. Principal and interest work the same.

So if you say “I’d rather spend $5,000 more for the exact same thing” then go for it. Spend that money. But this is how you determine who has the better offer.

Just make sure you’re comparing identical products at identical rates to do effective shopping.

As you haggle, you can decide if you want to show the competing lenders the other’s offer, and then go back and forth until someone reaches the bottom.

Some people like that, others hate the stress. Remember, loan officers get paid only when they complete a loan. So the minute you say “I’m going with someone else” they’ll dig their nails in and hold on.

Solar Panel Example

I’ve haggled before, it’s kinda fun, but I hate hurting people’s feelings, or telling someone “no” repeatedly. Sales people can be relentless. cough cough Rocket Mortgage*

I was checking out solar panels.

They offered a similar product, at a similar price, one just had a roof warranty, which I thought was valuable. I told the other rep “I'm going with the other guy because of price” and he didn’t budge on his price, so I blocked him and moved forward.

Then the freaking solar company I chose went bankrupt mid project. And my solar installation was delayed an entire year.

I’m not saying to never trust the lowest price. But you’ll also want to be sure the project will get done.

Here’s How I Would Personally Haggle

If I were out of the industry, but if I knew what I know now, and I had no feelings of loyalty to my loan officer, this is how I’d go about it.

I’d work with a local credit union (usually great rates) but then I’d take that Loan Estimate to a local experienced broker to see if he/she could match, beat it, or get close to it.

Then I’d probably go with the broker. Brokers have multiple options and can ensure the deal closes.

Here’s why, and the example of my bankrupt solar panel company fits it perfectly:

If an underwriter at the local credit union decides “I need this impossible task to satisfy this condition” then you are stuck. You can’t get another underwriter. If you can’t satisfy the underwriter, you’re done. The purchase is dead.

What a broker can do is take the loan to another reasonable underwriter at a different lender and get past the condition.

I had an experience where one underwriter would not take documentation or deposits because she didn’t believe the borrower was being honest.

If I were at a credit union, and my underwriter made that decision, then the whole thing would be dead in the water. The buyer wouldn’t be able to get the house.

But as a broker, being able to move it to a more reasonable lender allowed the purchase to pull through.

That’s how I would haggle.

Aim for local credit union rates/costs, get a credit union's Loan Estimate, but get the flexibility of the broker by asking the broker to match the CU’s offer.

Don’t take the broker’s word for it though. Get that Loan Estimate, keep the broker honest.

If you feel like your rate and costs might be high, if you feel like your lender might be taking advantage of you, or if you just want to see if there's better out there, fill out this form to get a Loan Estimate Report Card.

CLOSING

Closing

So you’ve gotten your documents into underwriting, the appraisal came in at the right value, the inspection went well, you’re done negotiating.

Congrats! It’s time to close.

Do a final walkthrough of the home to make sure it’s in the same condition.

You’ll receive a Closing Disclosure that’s formatted similarly to the Loan Estimate. Check that Closing Disclosure and compare it to the Loan Estimate you received.

For sections A, B, and J “lender credits”, double check that they match the initial Loan Estimate.

Here’s a guide on how to read the Closing Disclosure.

When reviewing that Closing Disclosure, make sure all of the seller credits are accounted for.

In the case you’ve negotiated so many seller credits that it covers all of the closing costs and there is some left over, make sure the left over is being utilized. Whether that is lowering the principal of the loan amount, or whether you need to prepay HOA a year in advance, make sure you aren’t wasting any of those credits.

You’ll receive a few Closing Disclosures. One is an initial Closing Disclosure. You’ll sign it to acknowledge receipt at least three days before closing. But you’ll want to hash out the questions or concerns before you reach closing.

Here are your final steps. Ready?

- Sign documents
- Pay the amount owed
- Take possession (according to the contract instructions)

That's it! You're a homeowner.

Cautionary Tale

A little cautionary tale before you make your wire transfer to pay the amount owed.

I used to manage a Credit Union branch. A member came in a panic saying he wired $60,000 to buy a house and the title company never received the money.

What had happened is a fraudster had the contact info of all of the future closings and the dates they were closing.

My guess is that this info wasn't secured by the title company.

The fraudster created a domain very similar to that of the title company and sent an email with "new wiring instructions"

So the member wired all $60,000 to the fraudster.

A wire is like cash, so he could kiss that money goodbye.

This next part is a bit of a pat on the shoulder to myself.

I warned our fraud department, but I knew how slow departments can work on things. Email one day, wait one day, email again etc.

So I called the receiving bank's fraud department, told them what happened and they froze the fraudster's account.

Our member recovered $40,000 of the $60,000. Losing $20,000 sucks, but losing $60,000 sucks more. He was still able to purchase the house.

This cautionary tale is to warn you to never trust wiring instructions via email.

Confirm them with a phone call, but not to the number listed in the email. Look up the number yourself (Google it).

That is it! You've purchased your first home. Get that box of pizza and let the world know.

After Close

Set up those automatic payments.

Also, it is normal for a loan to transfer to another servicer. The secondary mortgage market buys and sells and transfers these loans between each other, so you may get a notice that your mortgage is transferring.

Don't panic. Most of the time, the automatic payment information transfers with it.

Your principal and interest payment will stay the same, but keep an eye on property tax rates and homeowner’s insurance, as your monthly payment could go up for those reasons.

The End

Hopefully this helps you feel prepared to jump in and start the journey of buying a home.

I feel that too many people sit on the sidelines thinking “I’m not ready” when really, they don’t know enough to feel confident.

If you found this helpful then I have two favors to ask you.

One, if you know anyone that is considering buying a home, please share this with them.

Two, if you want to connect with a good broker or real estate agent, fill out this form. I'd be happy to help connect you, as I know several from different events and gatherings.

Good luck with your home purchase and I wish you the best.

Sam