

Congratulations On Your Pursuit Of “Home” Ownership! (3.26)

Please allow me to recommend the following steps to think on/do in the order they should be completed.

Trusted Lender: Reach out to a trusted lender – Allow them to give you a thorough idea of where you currently stand. They can recommend next “most effective” steps in your preparation journey.

Credit Score: Check your credit score. If it is not good, pay down debt, take the time to raise this so your interest rate will be lower, 6 months or more! Speak with a financial advisor/mortgage loan officer for tips for paying down debt and increasing credit scores.

Monthly Budget: What is your monthly budget (see budget sheet, fill this out so you know what is coming in and what is going out and any adjustments you need to make before the next step. Your house payment should be no more than 1/4 of your monthly income including taxes and Insurance. No more than 1/3 maximum including expenses for the home. (HOA, Utilities, Yard, Pool, etc....)

Pre-Approval: Obtain financing approval (pre-qualifying letter) for an amount and interest rate through your bank or mortgage company. (Shop around) Find out what programs you qualify for. A prequal letter is not the same as a pre-approval letter, a pre-qualification letter can give you a higher amount, this does not mean you should spend this! Before you “find” a home or put in an offer, get a pre-approval letter from your lender for how much they will actually loan you!

Pre-Home Purchase Spending: If you are planning to buy a home in the near future, do not make any large purchases unless absolutely necessary, i.e., your car dies and you need to purchase a new one. People get excited once they go “under contract” for a home and want to go out and buy new furniture, appliances, etc. If you make large purchases prior to buying your home, it could change your debt-to-income ratio which means you may no longer qualify for your mortgage and you lose the ability to buy the home.

Best Practice: Pay your bills on time and only purchase those items that are necessary, no overspending or excessive spending of any kind. People have lost their homes just prior to closing because their credit was checked just prior to closing and their debt increased so they no longer qualify for the loan.

Down Payment: Find out the amount of the down-payment for the loan type you are pursuing, make sure you have at least the down payment set aside in savings! Having more funds in your savings to cover additional expenses is preferred. Check with your lender on down payment assistance programs.

Closing Costs: Find out the average closing costs (6-12K) and set this aside in savings!

Utility Costs: Look online for homes in your price range and look up the average utility costs. These can increase with the age of a home for many reasons, poor insulation, older windows, drafty windows/doors, larger square footage, it is important to calculate any added extra costs above what you are paying now!

Call service provider companies for their fees for "turning on" the following in your new home: Water transfer of name and/or turn on. Trash transfer of name and/or turn on. Electric and cable/internet transfer of name and/or turn on. These all have fees to turn on and/or transfer upon move in. Most people do not inquire about the service provider fees. The fees can be **hundreds** of dollars, set costs aside in savings!

Repair Costs: Research and understand the cost of repairs/replacements for interior and exterior items before deciding on a home. Must know how much cash flow is available/allocated for maintenance and repairs including the cost to hire a professional when DIY is not possible or safe.

Maintenance Costs: Assess/approximate the average monthly cost of "home repair/maintenance. Average is 1-4 % of the purchase price of the home per year divided by 12 months: Example: \$250,000 home with 1% would be \$2500 per year and \$208 a month, this would be to maintain or repair. This would not include decorating, furnishing, painting or improving your property in any way inside or out!

Moving Costs: Assess the approximate amount you would need for moving costs and set that in savings. Minimum is usually \$2K in materials and equipment rental even for a "self-move" with friends helping!

Misc. Costs: In addition to a move, you will find yourself "going to the store" for things such as shower curtains, trash can, bug spray, little items, etc. when moving. This generally amounts to about \$200 on avg.

Replacement Costs: Assess the cost of any needed repairs or replacements in the homes you are looking at that you would need during your first year, such as an appliance that is very old and "on its last leg", a new roof, etc... Always ask for a one-year home warranty purchased by seller to cover these major items for your first year! IE: Refrigerators can cost \$1200-3000k easily! Do not put extra cash down on a home if it's not needed, hang on to your cash! Have your realtor negotiate cash back at closing for old or outdated appliances.

Yard Maintenance: Assess the cost of yard maintenance. Hiring a company or purchasing equipment and the time involved for maintenance and repair, both inside and outside the home, is an important consideration to not overlook. It is important to decide not only how much money you can spend on these things, but how much time you wish to spend! You should also consider your skill level/ability to do things yourself or if you need to hire them out!

Condo vs. House: Consider a condo versus a home. The monthly homeowners' dues are less than the average amount people spend on their maintenance for free standing homes each month. They are a good fit for people who do not have the cash, time or skills for weekend yard, home, or pool maintenance! They generally have lovely playgrounds and pools for the kids along with security and they do all your yard work and exterior maintenance for you! This is a great option for a young family who never experienced home ownership and needs to get their "feet wet" in the least stressful way while being able to enjoy the right amount of square footage, and family amenities. Double check what the HOA includes. Not all are created equal.

Realtor: Get a realtor, do not use the seller's realtor! They will save you time and money and a great deal of pain! Purchasing a home is a joy but an extreme challenge in many ways! Make sure you have a personal referral for a good realtor who is not only honest but available to you and hardworking, listens to your needs, not just selling you a home! Be aware that new laws require that you fill out a "Buyer Broker Agreement" with your realtor prior to viewing any properties.

What is a Buyer Broker Agreement?

- It is a contract between a homebuyer and a real estate broker.
- It outlines the broker's responsibilities in helping the buyer find a property.
- The agreement typically includes the duration of the broker's representation.
- It may specify the commission structure for the broker's services.
- The buyer agrees to work exclusively with the broker during the agreement period.
- It protects the buyer's interest in the real estate transaction.

Faith!: After carefully researching your options, obtaining a realtor, financing approval, pray out your choices, God will lead you. More faith will be needed for the "monthly maintenance" of this adventure than the actual acquiring of it; don't use all your faith for the acquisition part!

www.lifefamilychurch.net has a budget sheet to download and print for free!

Additional Questions to Ask Yourself:

Will this be my final home?

If I am reselling this home, I need to consider the market resale value for:

Location, size, rooms, garage, yard, schools, crime, interior/exterior finishes or refinishes, etc....

(Pay more attention to number of rooms vs. sq. ft.)

Do I want a fixer upper or new? Cash flow, ability, time.

Make a list of your top 3 **needs** (non-negotiable)

Make a list of your top 3 wants (Negotiable)

Before going to look at a home in person, look online, view the street view and satellite view to see everything around it, do a **drive-by at different hours of the day, especially nights and weekends**. If you like it, put it on your short list for your realtor. If you still like it after you look at it and you have done all your research, speak to your potential future neighbors and see what they say about their community!

Remember: You cannot change the location of your property; you can change it on the inside and some exterior. Have a prosperous journey!

QUICK WAYS TO RAISE YOUR CREDIT SCORE

1. CLEAN UP YOUR CREDIT REPORT

- Go to AnnualCreditReport.com and request a credit report from each of the three big nationwide credit reporting companies. By law, you're entitled to one free report each year.
 1. Equifax
 2. Experian
 3. TransUnion
- When you request it, be ready to print or save it on your computer.
- Once you have the report, examine everything. Look for any accounts that show late payments or unpaid bills.
- If that information is inaccurate, the report should tell you where to send a dispute.
- Keeping a clean credit report isn't only important for your credit score; it can also affect your job prospects. Some employers pull credit reports before making hiring decisions.

2. PAY DOWN YOUR BALANCE

- 30 percent of your FICO score is based on the amount you owe.
- It's not simply how much you owe that's important. It's how much you owe compared with how much credit you have. A ratio known as your--credit utilization.
- For example, if you have a \$10,000 credit limit and a \$5,000 balance, your credit utilization is 50%.
- If you've maxed out that \$10,000 limit, your utilization is 100%.
- It's best to have a rate of less than 30%.
- If you owe more than that amount, paying down your balances is a quick way to boost your score. Live lean for a few months, hold a garage sale, or pick up a temporary second job to find the cash needed to pay off credit.

3. PAY TWICE A MONTH

- Creditors only report balances to the credit bureaus once a month. If you run up a big balance each month, it could look like you're overusing your credit.
- For example, you have a credit card with a \$1,000 limit. You use it for everything. The statement arrives, you owe \$1,000, and you pay it off. But the credit card company is reporting the statement balance each month.
- So, it looks like you have a \$1,000 limit and a \$1,000 balance. That's a 100% credit utilization rate.
- You can help alleviate the problem by breaking up your credit card payments. Go ahead and charge everything to get the rewards but send in payments at least twice a month to keep your running balance lower.
- In addition, if you make a large purchase on your card and have the cash handy, pay it off immediately.

4. INCREASE YOUR CREDIT LIMIT

- Maybe you're not in a position to pay down your balance. You could take a different approach to improving your credit utilization rate: call your creditor and ask for a credit limit increase.
- If you've maxed out your \$1,000 card and get a limit increase to \$2,000; you've instantly cut your credit utilization rate in half. DO NOT spend any of your new credit; it defeats the purpose of getting a limit increase.

5. DO NOT HAVE MORE THAN 3 CREDIT CARDS

- Have one major credit card for emergencies that offers cash back or airline miles.
- Have one additional card for gas or a store card for discounts on purchases where you do most of your shopping.
- Opening multiple accounts at once is not good. Too many new accounts can make you look like you desperately want to go on a spending spree.

6. NEGOTIATE OUTSTANDING BALANCES

- Maybe your credit score took a dive because you have bills in debt collections. You can't wipe out past mistakes from your credit report, but you can do some damage control by settling them.
- The most important step is to get an agreement in writing.
- If you don't have any cash on hand to offer as a settlement, you can sell some of your stuff.

Home Buyer's Guide to Picking the Right Property

Now that you know your budget and what you've been approved for, it's time to go shopping!

Before a realtor starts showing you homes, they need a clear picture of your situation, goals, and limits so they don't waste your time—or theirs.

Your Budget: This is the biggest factor. Be ready to share the following:

- Your price range (min.–max.)
- Whether you're pre-approved for a mortgage – Provide them with a copy of your Pre-Approval Letter.
- Your down payment amount

Financing Status:

- Are you paying cash or financing?
- If financing, which lender (if any)?
- Type of loan (conventional, FHA, VA, etc.)

Preferred Location:

- Cities, neighborhoods, or school districts you like
- Commute distance or proximity to church, work, family, or amenities
- Areas you want to avoid

Must-Haves vs. Nice-to-Haves:

Your realtor needs to separate essentials from preferences:

- Beds/baths minimum
- Square footage
- Garage, yard, pool, etc.
- Style (single-family, condo, new construction)
- HOA/CDD

Timeline:

- How soon you want to move
- Lease expiration (if renting)
- Flexibility to act quickly in a competitive market

Deal Breakers:

- Things you absolutely won't accept (e.g., HOA, fixer-uppers, busy roads)

Lifestyle Needs:

- Family size or future plans
- Pets (need a yard?)
- Work-from-home space
- Accessibility needs

Experience Level:

- First-time buyer or experienced?
- How much guidance you'll need through the process.

Availability for Buyer Tours: Your availability will determine how many homes a realtor can plan for. It is highly suggested that you look at no more than 5 in one day. Any more than that can become overwhelming for any buyer. Keep in mind that during the fall and Winter months, looking at homes after work can be difficult when the sun goes down by 6 PM.

Before You Make an Offer/Close on Your Home

What you should be on the lookout for, prior to making an offer.

Find out the age/condition of the following:

Roof: Depending on the square footage of your roof and the type of roofing you choose, replacing it can cost tens of thousands of dollars on average home \$10k-\$30k.

HVAC: You will want to know the age and the maintenance history of the HVAC system. A new system can cost between \$8-\$15k – Negotiate a home warranty or credit to cover a system over the 10-year mark.

Water Heater: If it's over 10 years old, you should ask for a credit or a replacement. Over 15 years old, you may not be able to obtain homeowner's insurance. The cost to replace the water heater starts at \$1000 installed.

Electrical Panel: If you see "Federal Pacific" or "Zinsco" on your panel, it's a fire hazard, and an automatic replacement should be required. Your inspector will determine the condition of the electrical panel but be aware that an upgraded panel can cost between \$2k-\$5k.

Foundation Cracks: If they are tiny, that is normal in a home due to settling. However, if they are large or stair-step cracks, call a pro, as repairs can start in the \$5k range and quickly go up from there.

Water Stains: Find out if the stains are old or from a recent repair. The inspector will need to determine if this is an ongoing issue or if mold has become a problem.

Sewer Line: Pay the extra cost for an inspector who specializes in checking the health of your sewer system. The cost of a sewer scope may run between \$150 - \$400. Whereas repairs can cost thousands of dollars.

Grading: Water should flow away from the house; if not, it will cause foundation issues.

ALWAYS HIRE AN INSPECTOR! Be present for inspection, if possible. This can take up to 4 hours to complete.

When in the home for the first time and in the final walk-through make sure to do the following:

- Turn on all faucets and while the water is running take notice of water pressure, and check under the sink for any dripping water or water damage.
- Test each ceiling fan on high – check for noise and wobbling. If remote operated, are they accessible?
- Turn on every light and light fixture to make sure they are operational.
- Turn water on in tubs and showers, look for water pressure and drainage.
- Flush each toilet and check for water pressure and leaks around the base.
- Test every appliance, especially if they are older. Washer/Dryer if conveying, stove, ovens, dishwasher, garbage disposal.
- Check garage. Do all of the doors work properly and close securely?
- Look for attic access and explore whenever possible.
- Open and close all doors and windows to make sure they all work properly. Look for sticking, dragging, or misaligned hinges.
- Open and close all sliding doors. These can be very costly to replace.
- Look for signs of pests/rodents. You will want to request pest control as a condition of your offer.
- Termites are common in Florida. Consider getting a termite inspection with the house inspection.
- Confirm that all previously agreed upon repairs have been done properly. Require a copy of each invoice to be provided by the listing agent/seller.