



# Home Buying Guide

The home buying process can be overwhelming, especially if it's your first time. This home buying guide will prepare you to navigate your home buying journey.

[HomesForHeroes.com](https://www.HomesForHeroes.com)







## TOP 5 REASONS TO OWN A HOME

The smell of backyard BBQ's, the laughter from family gatherings, the lines on the wall marking your child's growth... And coming home to a place of your own after a long day of serving others!

There are plenty of joys in life that come along with owning a home. There are also many financial benefits as well. Here are five financial benefits for owning your own house.

**TAX BENEFITS** - The U.S. Tax Code lets you deduct the interest you pay on your mortgage, your property taxes, and some of the costs involved in buying a home.

**APPRECIATION** - Historically, real estate has had a long-term, stable growth in value. In fact, median single-family existing-home sale prices have increased on average 5.2 percent each year from 1972 through 2014, according to the National Association of REALTORS® (NAR).

**SAVINGS FROM EQUITY** - Payments on a home are an investment in your future. Typically the value of your home appreciates, and the amount you owe on your home loan decreases over time. This is called equity. Equity acts as a built-in savings plan when it comes time to sell your home.

**FREEDOM** - Your home is yours to decorate and make additions that accommodate your lifestyle and taste.

**STABILITY** - Remaining in one neighborhood for several years allows you and your family time to establish long-lasting relationships within the community.

## **BEFORE YOU START YOUR HOME SEARCH, DO THIS FIRST**

Buying a home is a major step forward in life and an exciting time! Make sure you don't let your excitement blind you from taking an honest look at your situation to evaluate if you're ready to become a homeowner. Before you start the home buying process, ask yourself these questions:

### **Does buying make more sense than renting for you?**

In most cases, buying a home is a wise investment, but it really depends on your personal situation and location. [Use this calculator](#) to compare the benefits between renting versus buying.

### **Do you know why you want to buy a home?**

There are plenty of great reasons to own a home, but you should know your own personal reasons. This will help you match your priorities, find the right home and stay within your budget.

### **Is your debt-to-income ratio less than 35%?**

Your debt-to-income (DTI) ratio is calculated by dividing your total debt by your total income. Your DTI ratio should be near 35% or lower before buying a home. Continue to pay down debt until your DTI is 35% or lower.

### **Do you have a good credit score and clean credit report?**

Your lender will evaluate your eligibility to borrow a home loan by looking at your credit score. Make sure your credit score is in good shape before applying for a home loan. You can improve your credit score by paying outstanding debt and removing any errors that appear on your credit report. The Consumer Financial Protection Bureau has helpful [information and tools](#) to guide you through this process.

### **Do you have an emergency fund?**

An emergency fund will help you continue to make your house payments if unexpected medical, auto or home expenses arise. Aim to save enough money to cover 3- 6 months of your expenses in your emergency fund.

### **Can you afford a down payment and closing costs?**

Typically, you will be responsible for making a down payment and/or paying closing costs when you buy a house. The amount of these costs will depend on the home price and loan type. Your Homes for Heroes lending specialist is experienced in working with a variety of home loans, and finding you the right one to reduce these costs.

### **Do you have time to maintain and upkeep your new home?**

Owning a home requires you to take on general home maintenance responsibilities and repairs. You should be prepared to take on these jobs in your new home.

## CREATE A BUDGET

Creating a budget is an important step in the home buying process. A budget will help you understand just how much of a home payment you can afford. The added bonus of creating a budget is you will be able to prioritize and eliminate expenses based on your needs and wants.

A monthly budget is a detailed report that provides you a clear snapshot of how much money you have coming in and going out of your household. Every monthly expense and every source of monthly income must be itemized in your budget to ensure you have an accurate picture. Once you have itemized all your sources of income and expenses, your monthly budget will reveal just how much money you can afford to spend on a house payment every month.

Below is a downloadable tool that you can use to calculate your budget, and plan for a mortgage payment.

Download Personal Budget and Mortgage Payment Planner

[Excel Version](#)

[PDF Version](#)







## CREATE A WISH LIST

Some people consider the home search their favorite part of the home buying journey, while others could live without it. One thing that is consistent, house hunting is nearly impossible without your own personal home wish list.

Creating a wish list for your home consists of identifying everything that you want and need in a home. You need to include all the bedrooms and bathrooms to accommodate your family's needs. Then you can add on all the bells and whistles you would like your new home to have.

Creating a wish list for a new home should be fun. Allow yourself to enjoy the process, make sure your final wish list is realistic and your "must haves" are prioritized before your "nice to haves."

[Download our Home Buying Wish List Template](#)

Complete this home buying wish list and make a copy of it. Keep a copy for yourself for your home search, and provide your real estate agent with the other copy. This wish list will help your real estate agent find homes that meet your needs and wants.

# WHAT TO EXPECT FROM YOUR HOMES FOR HEROES TEAM

Our job is to simplify the home buying process for you and save you money. We do this by connecting you to experienced real estate and lending specialists in your community that will walk you through the home buying journey, every step of the way. And when you are ready to buy a home, you will receive significant Hero Rewards® savings.

Here is the service and savings you can expect from your Homes for Heroes Affiliated Real Estate and Lending Specialists.

SERVICE	
<p><b>REAL ESTATE SPECIALIST</b></p> <p>Our Homes for Heroes Affiliated Real Estate Specialists are licensed professionals with at least 2 years of experience and knowledge representing home buyers in their local community.</p>	<p><b>LENDING SPECIALIST</b></p> <p>Our Homes for Heroes Affiliated Lending Specialist are licensed professionals that have all necessary lending certifications. They have at least 2 years of experience in working with a variety of home loans.</p>
SAVINGS	
<p><b>RECEIVE A CHECK</b></p> <p>Receive a check for 0.7% of the purchase price, after closing when using one of our Affiliated Real Estate Agents.</p>	<p><b>REDUCED LENDING FEES</b></p> <p>Homes for Heroes Affiliated Lending Specialists agree to reduce their lending fees.</p>

Homes for Heroes Affiliated Real Estate and Lending Specialists will help connect you to a team of trusted professionals to assist you throughout the home buying process and maximize the savings you receive.

Heroes save over \$1,500 on average when using Homes for Heroes to purchase a home.

Homes for Heroes, Inc. is a licensed real estate company in the state of Minnesota | ©2018 Homes for Heroes, All Rights Reserved. Hero Rewards not available in all states. Cashback amounts are estimates. The actual Hero Rewards amount may vary based on sale price of the home (less appropriate credits) and in special circumstances including, but not limited to, new construction and For Sale By Owner sales. Hero Rewards offers are limited and/or restricted in Alaska, Kansas, Louisiana, and Mississippi. You must be enrolled in Homes for Heroes and be represented at closing by a Homes for Heroes real estate affiliate to be eligible for Hero Rewards. Contact Homes for Heroes for further details.

## ITEMS TO BRING TO YOUR PRE-APPROVAL MEETING

- Social Security number
- Proof of employment (list of your employers for the past two years and their contact information)
- Proof of income
- Tax documents (W-2s and tax returns for past two years)
- Place of current residence
- Can account information
- Credit information
- Your personal budget (expenses and income)
- Self-employment documents

## PREPARE TO FINANCE YOUR HOME

All the work you have done so far has prepared you to finance your new home with a loan. Your debt-to-income ratio is around 35%, you have a good credit score and your credit report is clean of any errors. Now it's time to work with your lender and go through the home loan pre-approval process.

A pre-approval for a home loan is a statement from a bank, stating they will lend you a certain amount of money based on your current financial situation. Being pre-approved for a home loan will also provide you more buying power with home sellers. Here is the pre-approval process and how to prepare for it.

### GET PRE-APPROVED

Your lender will evaluate your eligibility for a home loan by looking at your income, credit score and credit report.

### GOOD FAITH ESTIMATE (GFE)

Your lender will provide you a Good Faith Estimate (GFE) after you have been pre-approved. A GFE provides you the terms of the home loan, for which you applied. Compare the real cost of the loan on the GFE to your budget to make sure you can afford the house payments.

### STOP USING CREDIT

A pre-approval is not a guaranteed loan. It is merely a statement stating that the bank is willing to lend you a certain amount of money based on your current financial situation. The bank can, and often will back out of approving you for a home loan if you take on more debt.

***Keep your credit in good standing and make all your payments on time. Do not apply for any new lines of credit.***

### SAVE FOR A DOWN PAYMENT

Your lender should go over the down payment requirements of your home loan during your pre-approval meeting. You will be required to put anywhere from 3.5% to 20% of the home purchase price down on the loan depending on the loan you are applying for.

There are home loans for homebuyers that do not require money to put towards a down payment. These can be a great option, but make sure your lender explains how it will impact your monthly budget.

There are many down payment assistance programs for homebuyers who lack enough savings for a down payment. Ask your Homes for Heroes Specialist for resources available in your area.





## WORKING WITH A REAL ESTATE AGENT

The expertise and knowledge of your real estate agent will simplify your home search. Meet with your real estate agent to find your perfect home.

### START WITH AN AGREEMENT

When you start working with a real estate agent, they will want you to sign a contract stating you will not hire another real estate agent while working with them. Real estate agents invest a lot of money and time into serving their clients, and this contract is to protect that investment. Don't be shy and ask to include your own expectations into this contract as well. Including reasonable expectations for communication and length of contract are generally accepted by real estate agents. If your real estate agent is not meeting these agreed upon expectations, you can usually get out of the contract and hire another real estate agent.

If you are being represented by a Homes for Heroes Real Estate Specialist and run into any issues, please contact Homes for Heroes so we can assist you.

### Homes for Heroes Company Headquarters

866-443-7637

[support@homesforheroes.com](mailto:support@homesforheroes.com)

### START YOUR HOME SEARCH

Provide your agent with the home wish list you created, the good faith estimate you received from your lender, and the monthly home payment amount from your budget. This information will allow your real estate agent to get right to work in finding you relevant homes that match your search criteria.

### ESTABLISH LINES OF COMMUNICATION WITH YOUR AGENT

Frequent communication with your real estate agent will allow you to view more homes and prevent you from losing out on any homes you've offered on.

Ask your agent how often they plan to update you on new listings that hit the market. Your agent needs to be quick with getting you in the door of new listings in a competitive market. Hold your agent to the communication schedule the two of you agree on. Follow up with your agent if they are not keeping that schedule.



## **MAKE AN OFFER**

You've found the perfect house you've been looking for and it's in your price range. Time to make this house your own by making an offer to the seller.

An offer is when a home buyer expresses interest to buy a home. The offer will include several elements, including your offer price, contingency clauses, closing date among other things. Here is what to know about your offer before you make it.

## **PREPARE YOUR EARNEST MONEY**

Earnest money is required when submitting an offer and is held in an escrow account. When your home purchase closes, your earnest money will be credited back to you.

## **LIMIT YOUR OFFER**

Don't let your offer sit on the table for an undetermined amount of time. Include a time and date that your offer will expire. Your agent should be familiar with the customary deadlines for your market.

## **INCLUDE A PRE-APPROVAL LETTER**

Ask your Homes for Heroes Lending Specialist for a pre-approval letter. Include this letter in your offer to the seller. Pre-approval letters give the seller confidence that your offer and financing are solid.

## **CONSIDER CONTINGENCIES**

Contingencies are an important but delicate part of your offer. Contingencies are clauses that you include in your offer to protect your earnest money should particular situations go wrong. Home inspection contingencies are common and almost always recommended. However, contingencies based on you selling your home may kill the deal. Always consult your real estate agent about what contingencies to include and their importance.

## **SELLER'S DISCLOSURE**

After the seller accepts your offer, the seller will have a certain number of days to provide you full disclosure of anything that is wrong with the property. Closely review the seller's disclosure once you receive it. You have a certain number of days to change or rescind your offer if you find any discrepancies with the home in the seller's disclosure. In most cases, you will receive your earnest money back if you provide the selling parties the recession within the designated time period.



## **THE IMPORTANCE OF YOUR HOME INSPECTION**

You are about to make one of the largest purchases and investments in your life. Know exactly what you are buying before you do. A home inspection will reveal the true condition of the house you plan on buying, and any major problems it may have. Here are important pieces to include in your home inspection.

### **HIRE A HOME INSPECTOR BASED ON EXPERIENCE AND CREDENTIALS**

Don't try to save money by skimping on the home inspector you hire. Thorough home inspections require professionals who will look over every inch of the house and know exactly what to look for. Home inspectors with multiple years of experience, training and certifications are likely to be the most qualified. Don't be scared to seek out reviews and ask to speak to previous clients before hiring your home inspector.

### **REQUEST TO TAG ALONG**

Request that your home inspector allow you to follow along during the home inspection and ask them to discuss their findings along the way. Not only is this a great opportunity to learn about your house, this is valuable information for you and your agent to negotiate the deal if your home inspector discovers major problems.

### **LEARN FROM YOUR HOME INSPECTION**

You should use your home inspection as a way to learn about the maintenance for your new home. Ask questions and take notes on maintenance tips from your home inspector during the home inspection. Your home inspector should also provide you with a detailed report on their findings. Ask them to go over the report and ask questions along the way.

### **USE YOUR INSPECTION CONTINGENCIES IF NECESSARY**

Including home and radon inspection contingencies into an offer are usually recommended. These contingencies will allow you to back out of the deal if your home inspection reveals major problems with the house. Consult your home inspector and agent about any major problems discovered during the home inspection, use these contingencies if necessary.

## **THE APPRAISAL OF YOUR NEW HOUSE**

Before your lender signs on the dotted line to approve your home loan, they will want to know the value of the house. The house must be worth at least the amount you are looking to borrow for a home loan. The lender will determine this by requesting a property appraisal.

### **WHAT IS AN APPRAISAL?**

A property appraisal determines the estimated value of a property by taking inventory of several factors that add to, and detract from the property's value. The factors that will determine the value of a property include the property's age, condition, amenities and neighborhood. Appraisals will also use the sale price of similar properties within the same neighborhood to determine a property's value.

Lenders require home appraisals to protect the money they borrow you to purchase your home. Your lender will not approve the loan for your home if your loan amount is more than what your home is appraised for. Consult your real estate agent if the appraiser determines your loan amount is more than the value of the house.

### **WHO IS AN APPRAISER?**

A property appraisal is performed by an appraiser who holds the proper licenses and credentials. Appraisers have extensive real estate knowledge, such as market and neighborhood trends. They are also required to be third-party contractors without any invested interest in the purchase or sale of the property being appraised.

### **WHO HIRES THE APPRAISER?**

Finding and hiring an appraiser is not your responsibility. The lender will order the appraisal and is the appraiser's client. Sometimes a lender will use an appraisal management company (AMC) to manage the appraisal process and order an appraisal on behalf of the lender. Other lenders order the appraisal directly from an appraiser.

Even though hiring an appraiser is not your responsibility, you should feel comfortable asking the appraiser questions prior to your home appraisal to make sure your appraisal is handled properly. The [International Society of Appraisers](#) suggests that you ask the appraiser of your home these [10 questions](#).



## **CLOSING DAY – THE PROCESS AND HOW TO PREPARE**

Everything has fallen into place...your team has helped you find the perfect home and it has cleared appraisal. It's time to close the deal and make the home officially yours! Here is what you need to know about closing day and preparing for a smooth home closing.

### **REVIEW YOUR CLOSING DOCUMENTS**

Review your HUD-1/CD, otherwise known as the closing disclosure form as soon as possible on closing day. The closing disclosure outlines every important detail that goes into financing the purchase of your home.

Review your closing disclosure and make sure you understand the terms of your home loan and the mortgage payments you will be required to make. The closing disclosure will outline your exact mortgage payments, the loan interest and the closing costs you will be required to pay. Compare your closing disclosure to the good-faith estimate (GFE) your lender gave you in the initial stages of the home loan application process. Ask your lender to provide you an explanation if there are any major discrepancies between the closing disclosure and the GFE.

### **DO A FINAL WALK THROUGH OF THE HOUSE**

Complete a final walk through of the house with your real estate agent even though you already had the house inspected. Your final walk through of the house is to confirm the seller has vacated the house. In addition, make sure the house is in the condition that you agreed upon with the seller after your home inspection. Double-check any problem areas that the seller agreed to have fixed and make sure that they are adequately repaired.

### **WHAT TO BRING TO CLOSING**

Everything with the purchase of your home will be made official at the closing table. You will need the following items to make sure your end of the deal goes through.

- Copy of Your Contract with the Seller
- Copy of the home inspection report
- Proof of homeowner's insurance
- Government issued photo ID
- Down Payment – Reference your closing disclosure for amount
- Payment for Closing Costs - Reference your closing disclosure for amount.

*\*Personal checks usually are not accepted. Ask your lender what form of payment will be accepted.*



## MAKING THE MOVE

Even though moving day might sound like a lot of work, we all know the excitement of moving day outweighs everything else! A well thought out plan can go a long way to simplify, reduce stress and help you save money on your move. Here are some tips to make your move stress free!

### DECLUTTER

Cleaning out the clutter you do not use anymore will simplify your move. Make some extra money to pay for your move by selling your clutter at a yard sale or a second-hand shop. Take items you want to donate a local charity. Check out: [Where to Donate Your Stuff 101](#) for a list of charities that take donations. [DonationTown.org](#) is a site where you can donate to a charity and they will schedule a free pickup at your home. You have just reduced the amount of stuff to pack for your move, made extra cash and helped local charities!

### MAKE TIME FOR YOU

Taking care of yourself during a move is a must. The emotions from a major life change and the exhaustion of moving will take a toll on your energy. Although your to-do list may be long, do not compromise on giving you and your family time to decompress and relax.

### HAVE AN ESSENTIALS BOX

Pack a box that is filled with the essentials you need immediately when you move into your new home. Use a box or bag that is easily distinguishable from your other packed boxes. Pack essentials such as, soap, Kleenex, tissue paper in this box. Put it in a place that is easily accessible, such as the trunk of your car.

### SETTLING IN

Settling into your new home will take time. Resist pressuring yourself to do everything right away. Trying to do everything all at once will be counter-productive to easing your family into their new home and will eventually wear you out. Start by placing boxes in their appropriate rooms. Then make the beds so you have a place to sleep. You can unpack the rest in its due time. At least you know where everything is located.





### **Celebrate and Enjoy Often**

You have a fresh start in your new home and a bright financial future with your new investment. These are the big things in life that don't come around often.

Whether it is sitting on the deck watching the sunrise with a cup of coffee, or enjoying the sunset over a glass of wine, don't forget to take the time to celebrate your American Dream. You deserve it.