



# theNETWORK



BUYING A HOME CAN BE OVERWHELMING...  
BUT IT DOESN'T HAVE TO BE.



**Engage | Educate | Empower**

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# Homebuyer Guide

This guide is designed to help make the home buying and mortgage process as un-complicated as possible. The tools included in this guide will answer all your questions and empower you to make the right home buying decision.

As you prepare to buy a home, this Homebuyer guide will help you:

- Understand your costs and financial obligations
- Determine your own personal qualification
- Find the right partners (Agents, Lenders, Etc.)
- Understand your credit and how it can impact your loan
- Understand the steps to a smooth "close of escrow"

# Topics to be Covered

1. Rent vs Own: Am I ready to buy?
2. The difference between personal qualification and lender qualification
3. Finding the right partners to help you along the journey (It makes a difference!)
4. Finding the almost perfect home and the art of making a smart offer
5. So we opened escrow...now what?

# Am I ready to buy?

*You should be able to confidently say:*

"I'm better off buying than renting."

"The house I can afford meets my expectations."

"I have good credit."

"I understand the costs of homeownership."

"I'm financially stable."

# Are you really ready to own a home?

***Make sure you think about the following before you start:***

## Are you ready to apply for a mortgage loan?

- Every lender has standard requirements. Make sure you review those requirements in detail to ensure you get the best rates and outcomes.

## Owning vs Renting in detail

- Home ownership is not for everyone. Weigh the pros and cons and make the decision for yourself. Don't let anyone else tell you what is better for you...they aren't you.

## Know your budget and understand the costs

- Your monthly mortgage payment is just the tip of the iceberg. Home owners face many costs that renters don't. One-time fees, closing costs, taxes, insurance, and routine maintenance are a few of the most common.

## Make sure you address your credit first

- Analyze your credit with an experienced loan officer and devise a plan of attack, if needed. In some cases your credit score can increase 50 points or more by making a few adjustments.

# Can I start looking for a home now?

***Don't start looking for a house until you ask yourself:***

## **Does what you can afford meet your needs?**

- **If where you want to live doesn't fit your budget or cause you will need to make significant changes to your lifestyle, it may make more sense to continue renting.**

## **How much cash do you have saved?**

- **With all the costs involved with home ownership (including down payment) it may make sense to continue renting until you can save more.**

## **Are you financially stable?**

- **Consider the stability of your job and the possibilities of being relocated.**

## **Are you "credit ready"?**

- **A number of factors can effect your fico score, from loan balances to inquiries. Make sure you get "credit ready" and don't make any significant changes to your credit without consulting your loan officer first.**

# Rent Vs. Own

***Financially and emotionally, owning a home has its advantages, but with it also comes expenses and responsibilities. Use the chart below to see if you are better off buying or renting at this time:***

	Yes	No	Not Sure
<b>I want a house that I can do what I want, with no restrictions.</b> Renting restricts a lot of the things you can do - pets and paint to name a few.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>I understand that repairs and upkeep are my responsibility.</b> The days of calling your landlord to fix something are over. It's your house and your cost now.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>I understand that property taxes, insurance, and all utilities are my responsibility.</b> These costs can add up quickly and will never go away.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>I understand that there is no guarantee my house will increase in value.</b> The market is always changing. What can go up, can also go down.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Am I better off owning than renting?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# What's the real cost of homeownership?

***The mortgage options are endless. Make sure you dig in to your specific situation and find the right fit. Here are some of the basics:***

## Mortgage Types

- **Two main categories: fixed-rate and adjustable-rate.** The most common is the fixed-rate which gives you the interest rate and payment for the life of the loan. The rate and payment on adjustable-rate mortgages can fluctuate.

## VA Loans

- **Veterans Affairs (VA) guarantees a portion of these loans which enable the lender to give you more favorable terms, like low or no down payment.**

## Low Down Payment Loans

- **Almost all lenders offer low down payment options like FHA loans. You may be able to put as low as 3.5% down.**

## Are you "credit ready"?

- **A number of factors can effect your fico score, from loan balances to inquiries. Make sure you "get credit ready" and don't make any significant changes to your credit without consulting your loan officer first.**

## Loan Terms

- **The majority of mortgage loans are for 30 years, but there are also 15-20 year options.**

## Reducing your interest rate

- **You can "pay points" to reduce your interest rate and monthly payment. Make sure you know the break-even point and work it in to your overall analysis.**



## Part 1: One-Time Fees

	Typical Range	Your Cost
<b>Your down payment</b>	<b>5%-20% of purchase</b>	<b>\$ _____</b>
<b>Home appraisal</b> Professional opinion of the market value of the property.	<b>\$200 - \$500</b>	<b>\$ _____</b>
<b>Home inspection</b> Detailed report of the condition of the home. This might affect the value of the home.	<b>\$200 - \$1,000</b>	<b>\$ _____</b>
<b>Home inspection</b> Detailed report of the condition of the home. This might affect the value of the home.	<b>\$200 - \$1,000</b>	<b>\$ _____</b>
<b>Origination fees</b> Fees from the lender to cover processing and admin fees.	<b>.5%-2% of loan</b>	<b>\$ _____</b>
<b>Termite inspection</b> Evaluation of pest damage. The inspection itself is less than \$100, but if they find termites the cost to exterminate can be thousands.	<b>\$100</b>	<b>\$ _____</b>
<b>Closing costs</b> Bank fees and third-party fees. ie: Escrow, Title, Recording, Notary.	<b>2%-6% of purchase</b>	<b>\$ _____</b>
<b>Moving costs</b> Moving furniture and belongings.	<b>Varies</b>	<b>\$ _____</b>

## Part 2: Monthly Expenses

	Typical Range	Your Cost
<b>Mortgage payment</b> Principal, interest, taxes, and insurance.	<b>Your comfortable payment</b>	\$ _____
<b>Mortgage insurance</b> Lender required if your down payment is less than 20%.	<b>1/2 of 1% of the loan</b>	\$ _____
<b>Homeowners association (HOA)</b> This covers neighborhood maintenance.	<b>Varies</b>	\$ _____
<b>Utilities and fees</b> Water, trash, gas, cable, internet, netflix, disney+, etc.	<b>\$100-\$500</b>	\$ _____
<b>Lawn and property maintenance.</b>	<b>\$100-\$500</b>	\$ _____
<b>Exterior/Interior home repairs</b> Age and condition of home will play a big role in this.	<b>\$100-\$500</b>	\$ _____

### Did you know?

**Working with the right partners can help reduce some of the one-time fees?**

# Recap of homeownership expenses

## *One-Time vs Monthly*

### One-Time Fees

- **Credit Report**
- **Home Appraisal**
- **Home Inspection**
- **Termite Inspection**
- **Origination Fees**
- **Closing Costs**
- **Third-Party Fees**

### Monthly/Ongoing Fees

- **Mortgage Payment**
- **Property Taxes**
- **Private Mortgage Insurance (If Applicable)**
- **Homeowners Insurance**
- **Homeowners Association Dues**
- **Utilities**
- **Maintenance and Repairs**
- **Lawn Care/Landscaping**

# Benefits of Owning

## The house is yours - you can do what you want with it.

- When you rent you are restricted to what you can and can't do. Ownership allows you to really make it your HOME.

## You will have more stable housing costs

- With a fixed-rate mortgage you can predict your monthly costs for the most part. Renters face possible rent increases each time they move or renew their lease.

## Income Tax Benefits

- As a homeowner you may be able to deduct mortgage interest and property taxes paid each year. Consult a tax advisor for more info.

## Your home can increase in value

- You can never predict economic conditions but just ask your parents what they purchased their home for and you'll get the picture.

### Did you know?

**\$2,500 in rent is equal to \$105,524 in 3 years.**

**\$500,000 home purchase is equal to \$106,834 in mortgage payments (minus potential equity gain) the same 3 years.**

	Yes	No	Not Sure
Are you ready to buy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# What does my credit score mean?

## The higher your credit score...

- The lower your loan interest rate will be
- The better your chances of qualifying
- The stronger your offer package becomes

## Excellent

- Above 720

## Good

- 680 - 720

## Fair

- 620 - 679

## Poor

- 580 - 619

## Very Poor

- Less than 580

## Did you know?

**Making minor changes to your credit profile can potentially increase your credit score up to 50 points.**





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## WHAT DO I NEED TO KNOW BEFORE APPLYING FOR A LOAN?



# Am I ready to apply for a loan?

*You should be able to confidently say:*

"I know how much home I can afford."

"I know how to prequalify for a loan."

"I know what kind of mortgage is better for me."

"I know how much I need for a down payment."

# How much can I afford?

***You'll get different advice on what you can afford depending who you ask.  
Remember, no one knows your financial situation better than you.***

## General rule of thumb

- **36% goes towards paying debts**
  - **Mortgage Payment**
  - **Car loans**
  - **Credit Card Bills**
  - **Student Loans**
- **31% goes towards taxes**
  - **This is the national average**
- **33% goes towards everything else**
  - **Food**
  - **Clothes**
  - **Vacation**
  - **Utilities**
  - **Entertainment**
  - **Savings and Investments**

## Did you know?

**Just because the bank or the lender says you can afford, it does not mean you really can afford it.**

# How much can I afford?

***Let's find the price of the home and the monthly payment  
you think you can comfortably afford.***

***(Find the monthly payment that is closest to your current housing payment)***

Purchase Price of Home	10% Down Payment	Loan Amount	Monthly Principal, Interest, Taxes & Insurance Payment
\$300,000	\$30,000	\$270,000	\$1,761
\$400,000	\$40,000	\$360,000	\$2,348
\$500,000	\$50,000	\$450,000	\$2,935
\$600,000	\$60,000	\$540,000	\$3,522
\$700,000	\$70,000	\$630,000	\$4,109
\$800,000	\$80,000	\$720,000	\$4,696

***\*This chart estimates the monthly principal, interest, taxes, and insurance (homeowners and private mortgage insurance) payments assuming a 10% down payment and a 30 year fixed-rate mortgage at 4%.***

**What's your "comfortable home purchase price"?**

**\$ \_\_\_\_\_**

**What's your "comfortable monthly payment"?**

**\$ \_\_\_\_\_**

# How much do I need for a down payment?

***Your down payment becomes instant equity in your home.***

## Here are some of the most common down payment options:

- **20% - The more conservative option for banks and lenders; eliminates having to pay additional private mortgage insurance.**
- **3.5% - 5% - Available for FHA and some government or conventional loans.**
- **0% - Available for VA eligible borrowers.**

Purchase Price of Home	Down Payment Option	Down Payment Amount
\$500,000	3.5%	\$17,500
\$500,000	5%	\$25,000
\$500,000	10%	\$50,000
\$500,000	20%	\$100,000

**How much do you have available for a down payment?**     \$\_\_\_\_\_

## Did you know?

**State and local governments and even some nonprofit organizations offer down payment assistance to homebuyers.**



# Fixed-Rate or Adjustable Rate?

***There are different benefits and advantages for both. Make sure your lender explains both in detail in order for you to make the best decision.***

## Fixed-Rate

- **Same rate the entire loan, which means the same principal and interest payment.**
- **Interest rates are slightly higher than an adjustable rate mortgage.**
- **Maximizes security since the payment does not change.**
- **Best if you plan to stay in your home at least 7 years.**
- **Usually available in 15 and 30 year time periods.**

## Adjustable-Rate

- **After an initial fixed rate period, the rate will increase or decrease according to the market.**
- **Interest rates may be slightly lower during the initial fixed period.**
- **Maximizes buying power and flexibility.**
- **Best for buyer who knows they will sell in 5-10 years.**
- **Usually available in 5, 7, and 10 fixed-rate periods.**



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I'M READY TO START SHOPPING,  
NOW WHAT?



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County: Orange ▼

Price: \$300,000 ▼ TO \$800,000 ▼

City: Aliso Viejo ▼

Beds: 3+ ▼ Baths: 2+ ▼

Property Type:

- ☒ Home
- ☒ Condo
- ☒ Townhouse
- ☐ Land
- ☐ Multi-Res
- ☐ Commercial

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# Am I ready to start shopping?

*You should be able to confidently say:*

"I know how much I can borrow."

"I know how to choose the right lending partner."

"I know what paperwork I will need."

# What documents will I need?

***The application process can feel a bit overwhelming. Remember, this is probably going to be the single most expensive investment you will make... until you use your equity leverage to purchase another home.***

## Income Verification

- 2 Years employment information
- W2's for 2 years
- 2 years of tax returns
- Most recent 30 days of paystubs, showing year-to-date
- If self-employed, year-to-date profit and loss statement
- Proof of pension, if applicable
- Social Security and Disability payments, if applicable
- Dividend earnings
- Bonuses
- Child support, if applicable
- Alimony, if applicable

## Asset Verification

- Bank account numbers and balances
- Bank statements for 2 to 3 months
- Copy of earnest money deposit

## Debt Verification

- Information on all your debts, such as car loans, student loans, and credit cards
- Generally pulled from your credit report

## Did you know?

**It's not necessary to disclose alimony, child support, or separate maintenance income unless you want the lender to consider it as a basis for repaying the loan.**

# What's the difference between interest rate and annual percentage rate?

***The best way to compare rates between lenders is by the Annual Percentage Rate (APR) and not just the interest rate.***

## Things to know

- **The interest rate is the rate that your monthly payment is calculated.**
- **The APR combines the interest rate and the fees associated with the loan. The higher the APR the higher the costs.**
- **The APR could mean higher fees, but it could also mean high rates and lower fees.**
- **You want the APR to be as close to the interest rate as possible.**
- **Fees and rates are one part; customer service, trust, stability, and ability are also extremely important when choosing a lender.**
- **Communication is KEY.**

## Did you know?

**90% of escrows that fall through are at the fault of the lender and the borrower not being able to obtain financing. Choosing the right lender is very important.**



# How much are you pre-qualified to borrow?

***Getting pre-qualified helps set your budget and makes your home search much more efficient.***

## Steps to get pre-qualified

- **Pull your credit**
- **Verify qualified income**
- **Verify qualified assets**
- **Generate your debt to income ratio**
- **Receive a pre-qualification letter from the lender**

## Did you know?

**Some lenders can turn your pre-qualification in to a pre-approval by completing just a few more steps. Doing this can strengthen your offers, come that time.**



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## HOW DO I FIND THE PERFECT HOME AND MAKE THE RIGHT OFFER?



# When looking for the perfect home...

*You should be able to confidently say:*

"I know what type of house I want."

"I know how to choose the right agent partner."

"I know how to negotiate and make an offer."

# How do I go about finding the perfect home and making an offer?

*You need to know what you want and need in a house. Then you need to find a home that meets those needs within your budget.*

## Know what you want or need in a home.

- **Single Family Home or Condo**
- **School District**
- **Commute to work**
- **Consider all the factors that will make you satisfied when you move in**

## Select the right Realtor partner.

- **Make sure they have your best interest in mind**
- **Interview a handful of Realtors so you can make the right decision**
- **Ask your NETWORK for referrals**

## Make an offer and negotiate the price.

- **Home prices are dependent on a number of different factors. Your Realtor partner should have a very good grasp of every factor and know how to negotiate (Not just push paper and wait for responses)**

## Did you know?

**The intangibles in a home are far more important than the tangibles. You can change the paint and the layout, but you can't change the school district or location.**

# How do I find the right Realtor?

***The moment you choose your Realtor, you have formed a partnership with one shared goal in mind.***

## Things to know:

- **Ask your NETWORK, friends, and family for recommendations**
- **Interview each agent and make sure it's a good fit**
- **As a buyer you don't pay the commission to the agent, so it's in your best interest to find an agent you can trust before you start looking**
- **A BUYERS AGENT works for you and helps you find the right house at the lowest price**
- **A SELLERS AGENT works for the seller and helps the seller get the highest price for their home**
- **Communication and Transparency. You want an agent who will keep it real with you throughout the entire process**

## Did you know?

**Anyone can pass a test and become a real estate agent, but not everyone can master the "art of real estate".**



# How do I go about finding the perfect home?

## Other important factors to consider:

- **Schools**
  - What are the school ratings?
  - How far will your kids have to travel for school?
  - [greatschools.org](http://greatschools.org)
- **Safety**
  - What is the crime rate?
  - How safe is the neighborhood?
- **Traffic**
  - How long is your commute to work?
  - How busy are the streets around the house?
  - How easy is it run errands like grocery shopping?
- **Neighbors and Privacy**
  - Is the neighborhood active and energetic or peaceful and quiet?
  - Drive through the neighborhood at various times on various days.

# The Art of the Offer

## Writing your initial offer:

- **Your agent will help you decide and prepare your initial offer using a number of different factors**
- **You can strengthen your offer a number of different ways**
  - **Quick close**
  - **Removing contingencies**
  - **Showing lender approval and other financing documents**
- **Your agent should be able to put together a compelling offer package**
- **Negotiations after your initial offer are a good thing**
  - **The seller will likely come back with a counter offer after your initial offer. This is where your agent should guide you on your response**

## Did you know?

**Negotiations can continue throughout the escrow process as you learn more about the home from inspections and appraisals.**



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## MY OFFER WAS ACCEPTED, NOW WHAT?



# If your offer is accepted...

***You should be able to confidently say:***

"I know what to do, and not do during the loan process."

"I know how to complete my loan application."

"I know what to do at loan closing."

# Once my offer is accepted, what do I do next?

## Step 1:

**You will work closely with your lender to complete your application**

- **Providing updated documents**
- **Providing the purchase contract and escrow information**
- **Review rates and decide if you want to lock your rate or wait**
  - **Most lenders allow you to lock your interest 30-60 days which means your rate won't go up while you are waiting for your loan to be approved and escrow to close**
  - **No one can predict interest rates. Lock your rate if you think rate will go up or if you want the peace of mind that it won't go up**

## Step 2:

**Your loan will be assigned to a loan processor who will double check the accuracy of all the information provided during the loan application**

- **If there are additional documents or information needed make sure to respond to them in a timely manner**
- **During this time you will need to decide on homeowners insurance and whether or not you want to "pay points" to lower your interest rate**
- **A home appraisal, home inspection, and termite inspection will all be scheduled during this time**

# Once my offer is accepted, what do I do next?

## Step 3:

**Your loan will be sent to an underwriter to review all the information and make a final decision on your loan**

- **After approval, additional conditions and documents may be required**
- **Schedule the loan document signing and closing**
  - **An itemized list of exact costs will be given to you 3 days prior to closing**
  - **You will need to wire the remaining funds needed to close to escrow**

## Step 4:

**After you have signed your loan documents and wired the remaining funds to escrow, your lender will process the funding of your loan**

- **When funding occurs the money is disbursed to all parties involved**
- **After funding has occurred, the county will record the deed of trust and the home officially becomes yours**
- **Celebrate**

# Homebuying Process Recap

## Gather Paperwork

**Make sure to have your income and asset documentation**

## Select A Lender

**One with excellent service and competitive rates to meet your needs**

## Find Out How Much You Can Borrow and Afford

**Get pre-qualified to find out how much you can comfortably afford**

## Find The Right Realtor Partner

**Remember this is your partner throughout the transaction**

## Find The Perfect Home

**Your wish list and your budget**

## Open Escrow and Complete Your Loan

**Lock your loan, do inspections, secure homeowners insurance, and review your costs**

## Close Escrow and Move In

**Attend the closing and get the keys to your new home**



For the Adjustable-Rate Mortgage (ARM) product, interest is fixed for a set period of time, and adjusts periodically thereafter. At the end of the fixed-rate period, the interest and payments may increase. The APR may increase after the loan consummation.

Results of the mortgage affordability estimate/prequalification are guidelines; the estimate is not an application for credit and results do not guarantee loan approval or denial.

Tools and calculators are provided as a courtesy to help you estimate your mortgage needs. Results shown are estimates only. Speak with a Mortgage Banker for more specific information.

All mortgage products are subject to credit and property approval. Rates, program terms, and conditions are subject to change without notice. Not all products are available in all states or for all amounts. Other restrictions and limitations apply.

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