



Home Buyer's Guide

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1. Contact me, *Samala Bernier*, so that I can guide you through the steps in this guide, explaining all the details, and set you up for success. You'll be ready to buy a home sooner than you think.
2. Prepare financially: Buying a house is a major commitment. Before you begin shopping for properties or comparing mortgage options, you need to make sure you're ready to be a homeowner. If you have not done so already, start saving for your down payment (usually 5%-20% of the purchase price) in advance of buying. Keep in mind that buying a home comes with additional expenses, so at least six months before you start shopping for a home, be sure to save 3-5% of the purchase price to cover closing costs.
 - a. A good place to begin is by calculating your debt-to income (DTI) ratio. Look at your current debts and income and consider how much money you can reasonably afford to spend each month on a mortgage payment.
 - b. Homeownership also comes with several costs that you do not need to worry about while renting. You will need to pay property taxes and maintain some form of homeowners insurance. You also want to factor in home maintenance (we'll create a list together). Factor these expenses into your household budget when you decide how much house you can afford.

Major Expenses:

3. Below is a review of some of the major expenses related to a purchase and how much you might want to save for them. Other key definitions are outlined for your information as well.

a. Down Payment

Your down payment is a large, one-time payment towards the purchase of a home. Many lenders require a down payment because it mitigates the loss they might suffer if a borrower defaults on their mortgage. Many home buyers believe that they need a 20% down payment to buy a home but this is not always true. A down payment of that size is not likely to be



realistic for many first-time home buyers. Fortunately, there are many options for buyers who cannot afford a 20% down payment. For example, you may be able to get a conventional loan for as little as 3% down (confirm with your lender). FHA loans have a minimum payment of 3.5%. VA loans and USDA loans even allow eligible and qualified borrowers to put 0% down. There are advantages, however, to making a larger down payment. For one, it typically means you will have more mortgage options. It also usually means you will have a smaller monthly payment and a lower interest rate. Plus, if you put at least 20% down on a conventional loan, you potentially won't need to pay for private mortgage insurance (PMI). This can be up to the lender so we can talk to them about it.

b. Closing Costs

You will also need to save money to cover closing costs, which are the fees you pay to get the loan (and to make sure the home is worth the purchase price). There are many variables that go into determining how much closing costs will be, but it is usually advisable to prepare for 3% – 6% of the total home value. This means that if you are buying a home worth \$200,000, you might end up paying \$6,000 – \$12,000 in closing costs.

The specific closing costs will depend on your loan type, your lender and where you live. Almost all homeowners will pay for things like appraisal fees and title insurance. If you take out a government-backed loan, you will typically need to pay an insurance premium or funding fee upfront.

Before you close on your loan, your lender will give you a document called a Closing Disclosure (CD), which lists each of the closing costs you need to cover and how much you will need to pay at closing. Look over your CD carefully before you close to know what to expect and to catch any errors (I will be looking through it as well and discussing it with you).

c. Other “Closing” Costs Based On Loan Type

Your lender will require you to get a home inspection and a termite inspection. Other specialized inspections might be needed as well (we

can discuss these instances). These are all paid for in advance by you, but I can explain some strategies when we meet.

These expenses might seem minor when held up against the other costs associated with buying a home, but they can add up, so be sure to budget wisely.

4. Your Credit Profile

- a. Review your credit profile ahead of time and see what you can do to raise your score, if necessary (this can get you a better interest rate on your loan). Request copies of all your credit reports, start paying off credit card bills and resolve any discrepancies or errors. Your lender will have “tips and tricks” on how to improve your credit score as well.
- b. Income And Employment Status; Your lender will need to see a work history (usually about 2 years) to make sure your income is stable and reliable. Preparing your income is all about pulling the right documentation together to show steady employment. If you are on payroll, you will likely just need to provide recent pay stubs and W-2s. If self-employed, you will need to submit your tax returns and other documents the lender requests.
- c. Debt-To-Income Ratio; Debt-to-income ratio (DTI) is another financial instrument mortgage lenders use to evaluate your loan application. Your DTI helps your lender see how much of your monthly income goes to debt so they can evaluate the amount of mortgage debt you can take on. DTI is calculated by dividing your monthly debt by your gross monthly income. For example, if your monthly debts (credit card minimum payments, loan payments, etc.) total \$2,000 per month and your gross monthly income is \$6,000, your DTI is $\$2,000/\$6,000$, or 33%. Your lender will use the debts shown on your credit report to calculate your DTI. It is wise to review your DTI before you apply for a loan. In most cases, you will need a DTI of 50% or less to qualify for a mortgage, although this number varies based on your lender, loan type and other factors.
- d. Credit Health; Your credit score plays a huge role in what loans and interest rates you qualify for. Your credit score tells lenders how risky you are to lend money to. Taking steps to improve your credit score and reduce your debt can pay off big as you prepare to get a mortgage. Better numbers mean better



loan options with lower interest rates. Your credit score is based on the following information:

1. Your payment history
2. The amount of money you owe
3. The length of your credit history
4. Types of credit you've used
5. Your pursuit of new credit

Most lenders require a credit score of at least 620 to qualify for most loans. A score above 720 will generally get you the very best loan terms. Keep in mind that you should also avoid taking out any additional loans (large or small) until after the home purchase is finalized as that will affect your credit score.

5. Get Pre-Approved for a Loan:

- a. I suggest you have a consultation with 2-3 lenders then choose a lender or mortgage broker to guide you through the financing process. Get pre-approved by your chosen lender and obtain a pre-qualification or a pre-approval letter so when it comes time to make an offer, sellers will know you are serious. Ask your loan officer or lender to also send it to **me**, your Realtor®, so that we can go over it together.

To get pre-approved, you will need bank statements, pay stubs and tax returns. Most pre-approval or pre-qualification letters are good for 30-90 days. Below are some of the loan options that a lender will help you to consider:

1. Conventional Loans - Conventional loans, sometimes called conforming loans, are loans that are backed by Fannie Mae or Freddie Mac. Most mortgages in the U.S. are conventional loans. Conventional loans are always a popular option for homebuyers, and you can get one with as little as 3% down.
2. FHA Loans - Backed by the Federal Housing Administration, FHA loans are less of a risk for lenders because the government insures them if you stop making payments. As a result, FHA loans have credit score requirements that are not

as strict. You can get an FHA loan with a down payment as small as 3.5%.

3. VA Loans - VA loans are mortgage loans for veterans, active-duty members of the Armed Forces, and qualifying surviving spouses. The most popular benefit of VA loans for homebuyers is no down payment required. VA loans are insured by the Department of Veterans Affairs.
4. USDA Loans - Another type of government-backed loan, a USDA loan, helps people in rural and suburban areas buy homes. You can get a USDA loan with 0% down, but your home must be in an acceptable rural area, and you must meet income eligibility rules.

6. Get to know your market

- a. You and I (your Realtor®) can search homes online, go to open houses, preview homes, and talk about the different features of homes and neighborhoods which determine value or price of each home.
- b. Narrow down the area you want to purchase a home in by doing those same things mentioned above. Also consider commute time and vicinity of things you love to do such as visiting family, shopping, freeway access/work commute, parks, schools, public transportation and other items of importance to you.
- c. I can set up searches for you that update directly from the Local MLS for homes to show you. It is always a good idea to make a list of your top priorities, some of which might depend on whether you are looking for a starter home or something else entirely. Here are some things you might want to consider when shopping for a house:
 1. Price
 2. Square footage
 3. Home condition and possible need for repairs
 4. Access to public transportation
 5. Number of bedrooms
 6. Backyard/swimming pool
 7. Local entertainment options
 8. Local school district ranking



9. Property value trends
10. Property/real estate taxes

Rank your priorities from highest to lowest based on importance and show this list to your real estate agent. This will give your agent a better idea of specific homes that fit your criteria. You may need to spend some time searching for the perfect home, so do not get discouraged if your hunt takes longer than expected.

Only you can decide which property is right for you. Make sure you see plenty of homes before you decide which one you want to make an offer on.

7. Make an offer
 - a. Once you find a home you love, I can help you make your offer and I submit it on your behalf! Keep in mind, it might not be accepted right away because other offers may also have been submitted from other buyers or your offer may not be what the Seller is looking for. The offer (contract) includes a deadline for the Seller to respond to you (via me), which is usually 24 or 48 hours after receipt. Realtors have a strict code stating that time is of the essence when showing our clients offers and responses. Your offer will also need to include an earnest money amount, which is typically 1%-3% of the purchase price. Your earnest money deposit goes toward your down payment and closing costs if you buy the home. If you agree to the home sale and later cancel, you typically lose your deposit. However, you have protection by way of contingencies that we will talk about. From here, the seller can respond in one of three ways:
 1. Accept the offer: If the seller accepts the offer, you can move onto the next step.
 2. Reject the offer: If the seller rejects your offer, the ball is back in your court. You can choose to submit another offer or move onto another home.
 3. Give you a counteroffer: The seller can also come back with a counteroffer of their own. They may change the purchase price or the terms of the sale. You can accept the counteroffer, reject it, or make another counteroffer.



Negotiations may go on for some time after you submit your offer. I will help you manage negotiations and do not be afraid to walk away if you cannot reach an agreement. Once you and the seller agree to an offer, it is time to move on to the appraisal, inspection, and other steps that I will guide you through to close escrow (to get your keys)!

8. Escrow Process

- a. During the 30 to 45-day escrow period, your lender will set various checkpoints for their underwriters to approve your loan. This will include items like a home inspection, appraisal and requests for additional documentation from you. This process may take longer if you are getting an FHA or VA loan, which can require extra paperwork. If you have had a change to your credit or income since you were pre-approved, further verification may be required.
- b. **Inspections:** Some lenders don't require a home inspection so although it may be optional, I still recommend it. Termite inspections may also be optional, but I recommend having one done as well. This allows you to make sure your home is in good condition and allows me to negotiate any repairs or issues with the seller on your behalf before close of escrow. You will receive a full inspection report that we can review line by line together. It's important to review for any hazards or issues that need correcting before moving forward with escrow. We can discuss those along with your options. There will be other forms for you to sign during the escrow process as well, such as accepting inspections and accepting seller's responses when/if they are asked to remedy any major issues. Please keep in mind that a clogged toilet or a sink that does not drain are not major issues. However, if your home inspection reveals an expensive problem (like cracks in the foundation or poorly installed windows), you may want to reconsider the purchase. I make sure you keep the home inspection contingency in your purchase offer. A contingency gives buyers the option to back out of a purchase (or negotiate repairs) without losing their earnest money deposit if the home inspection reveals major issues with the home or if the Seller won't make necessary repairs.
- c. **Home Appraisal:** A home appraisal is a review that gives the current value of the property you want to buy. You must get an appraisal before you buy a home with a mortgage loan. Lenders require appraisals because they cannot

lend out more money than a home is worth. If the appraised value comes back lower than your offer, you might have trouble getting financing. I will help you be aware of your offer in comparison to what the home might be worth (or appraise for). I can also contest the results of the appraisal if you believe the appraised value is too low or go over your negotiating options before you walk away from the purchase. I recommend you keep/include the appraisal contingency in your offer. Appraisal contingencies allow buyers to back out of a purchase (or negotiate a lower price), without losing their earnest money deposit, if the home appraises for less than the offer amount. As with inspection contingencies, appraisal contingencies may vary, so make sure you understand the nature of your agreement. I will discuss it with you as well.

- d. **Asking for repairs or credits at closing:** I discuss all options with you before I move forward with any communication with the Seller on your behalf. You can either ask for repairs to be done, for credit at close of escrow (if your loan type will allow it), or you can cancel the contract if protected by a contingency allowing you to recover your earnest money. I will go over these options with you in depth and you can decide how to proceed.
 - e. **Renting:** If you are currently renting, you will need to follow your lease agreement and give the proper notice to move out, but keep in mind when your close of escrow date will be on your new home and make sure you are not cutting it too close (sometimes the close of escrow date can be postponed by a few days). Be prompt about submitting any documentation that is requested and remain in communication with the staff.
9. 3-days prior to Close of Escrow:
- a. We will conduct a walk-through together to make sure the home is in the same condition as when you make the offer and that all appliances that were agreed upon are still there. We will also make sure any requested repairs have been completed and that the Seller has not any belongings.
10. Signing: You will go to the title company's office or they can send a mobile notary to you so that you can sign your closing paperwork. Depending on the complexity of the deal, this could take a few hours.



During the process, I will have different tips and strategies on how to handle each situation that come up which many Realtors are not familiar with. I have worked as a Realtor® for over 22 years and have expertise in many different markets. I have found solutions for the most difficult issues and will find solutions for your issues as well. Allowing me to represent you means you will have someone trusted on your side to help you reach your goals with the least amount of stress and no wasted time. I look forward to speaking with you.

Thank you,



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