FIRST TIME HOMEBUYER SEMINAR.

Ron Peck | NMLS ID 115111

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HOME PURCHASE PROCESS

- Pre- Approval
- Offer Accepted
- Home Inspection
- Purchase & Sale Agreement Signed
- Mortgage application submitted/rate locked?
- Purchase Homeowners Insurance (if required)
- Mortgage Approval & Commitment Letter
- Clear to Close
- Closing

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CHOOSING A TEAM

- **MORTGAGE PROVIDER**
  - Coordinates Team
  - Provides Financing
  - Helps establish affordability and comfort level
  - Creative structure to achieve financial goals
- **REALTOR**
- **HOME INSPECTOR**
  - Helps avoid Potential or unsuspected liabilities
  - Protects against environmental and safety issues
  - Helps Negotiate repairs

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CHOOSING A TEAM

ATTORNEY

- Reviews Contract
- Negotiates Home Inspection Issues
- Monitors Contingencies
- Prepares for Closing
- Advises on Title Insurance Coverage

INSURANCE AGENT

- Insures Property
- Addresses other needs such as Life Insurance

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QUALIFICATIONS

DOWN PAYMENT / SAVINGS HISTORY

- Minimum Requirements
- Gifts or Grant Funds
- Reserve Requirements
- Private Mortgage Insurance

DEBT-TO-INCOME RATIOS

Total monthly housing expense consists of:

- Principal and Interest Payment
- Private Mortgage Insurance (If applicable)
- Real Estate Taxes
- Homeowners Insurance and/or Condo Fee

TOTAL MONTHLY HOUSING EXPENSE *DIVIDED BY* GROSS MONTHLY INCOME = HOUSING EXPENSE RATIO

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QUALIFICATIONS

DEBT-TO-INCOME RATIOS

TOTAL MONTHLY DEBT INCLUDES:

- Total Monthly Housing Expense
- Monthly Installment Loans (Car Loans, Student Loans)
- Outstanding Credit Card Debt
- Child Support/Alimony

TOTAL MONTHLY DEBT *DIVIDED BY*
GROSS MONTHLY INCOME = TOTAL DEBT RATIO

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EXAMPLE OF RATIO CALCULATION

HOUSING RATIO

Principal & Interest	$948
Homeowners Insurance	$50
Real Estate Taxes	$170
PMI	$73
Total	$1,241

$1,241 ÷ $4,800 = 26%

TOTAL DEBT RATIO

Housing Expense	$1,241
Car Loan	$160
Student Loan	$45
Credit Cards	$95
Total	$1,541

$1,541 ÷ $4,800 = 32%

QUALIFICATIONS

CREDIT HISTORY

- Good Payment History
- Charge-Offs / Collection Accounts
- Overall Pattern
- Alternatives to Conventional Credit
- www.annualcreditreport.com

QUALIFICATIONS

EMPLOYMENT HISTORY

- Job Stability
- Employment Gaps
- Seasonal Labor
- Self-Employment

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QUALIFICATIONS

OTHER SOURCES OF INCOME

- Child Support/ Alimony
- Bonuses
- Commissions
- Overtime
- Rental Income

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QUALIFICATIONS

PROPERTY APPRAISAL (NOT A HOME INSPECTION)

- Licensed Appraiser
- Value Determined by Comparable Home Sales in the Area

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COSTS ASSOCIATED WITH MORTGAGES

- **Application Fee**
  - $425 Single Family/Condo
  - $450 FHA
  - $550 Multi Family
- **Legal Fees**
- **Title Insurance**
  - Lender’s Title Insurance
  - Owner’s Title Insurance
- **Plot Plan**

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COSTS ASSOCIATED WITH MORTGAGES

- Municipal Lien Certificate
- Recording Fees
- Mortgage Insurance (if applicable)
- Pre-paid Items
  - Real Estate Tax Escrow
  - Homeowners Insurance Escrow
  - Homeowners Insurance Premium
  - Pre-paid Mortgage Interest

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LOAN TO VALUE

- Compares the loan amount to the appraised value or the sales price, whichever is less
- Shows how much equity you have in the property
- If your LTV is higher than 80%, you will need Private Mortgage Insurance (PMI)
- Example:

  $100,000 Purchase Price

  $5,000 Down = $95,000 Loan Amount

  LTV=95%

CASH TO CLOSE

- Closing costs are over and above the down payment
- Closing costs run from 2%-5% of the loan amount
- Pre-paid items are separate from closing costs and may run an additional $1,000 - $3,000

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CLOSING

- Set up a time and place with the closing attorney
- Get a final figure for cash required to close from attorney
- Bring cashier's check to the closing
- Sign documents and get keys!

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