



## **HOME BUYER'S GUIDE**

# **Your Home Buying Team**

Keep track of your “Home Buying Team” below for easy reference

**Realtor:**

**Firm:** **Everything Pines Partners, LLC**

**Phone:**

**Email:**

**Mortgage Lender:**

**Loan Officer:**

**Phone:**

**Email:**

**Closing Attorney:**

**Phone:**

**Email:**

**Home Insurance Company:**

**Agent:**

**Phone:**

**Email:**

# Your Home Buyer's Guide

From the Everything Pines Partners Team, we want to say thank you for trusting us to help you find the perfect home that fits your desires, lifestyle and needs. Our goal is to make your home-buying experience fun and painless.

## Let Us Be Your Guide

- As knowledgeable Realtors®, we can save you endless amounts of time, money and frustration.
- As knowledgeable Realtors®, we can help you with *any* home, even if it listed elsewhere or being sold directly by the owner.
- As knowledgeable Realtors®, we can introduce you to the best Lenders in our area. We can also discuss with you the lending process, down payments and closing costs.
- As knowledgeable Realtors®, we are an excellent source of information about our community including: schools, churches, veterinarians, dentists, restaurants and so much more.
- MOST IMPORTANTLY, as knowledgeable Realtors®, we are experienced in real estate transactions and can help you through the process to achieve your ultimate goal.....owning your perfect home.

## Our Duties to You

- Promote your best interests
- Be loyal to you
- Provide you with all material facts that could influence your decisions
- Use reasonable skill, care, diligence and account for all monies we handle for you
- Provide you with the highest level of service and advice

## What Every Buyer Should Know Before Purchasing

1. The Everything Pines Partners Team can show you any home whether it is listed with a company, a builder or even a For Sale By Owner.
2. When you choose to work with an Everything Pines Partners REALTOR®, we will represent you and your best interests.
3. Anyone on our Everything Pines Partners Team can provide you with a list of items you will need to complete your loan application.
4. Property taxes and qualified mortgage interest can be deductible on an individual's federal income tax return.
5. A portion of each amortized mortgage payment goes to principal which is building equity.
6. Often, a home is the largest asset an individual will acquire and is considered one of the most valuable investments available.

## Advantages of Being a Homeowner

1. **Ownership!**
2. **Investment Possibilities**
3. **Appreciation Potential**
4. **Tax Benefits**
5. **Capital Gain Exclusions**

*A home is one of the few investments that you can enjoy by living in it.*

# Home-Buying Process: Pre-Qualification and Pre-Approval

Many buyers apply for a loan and obtain approval before they find the home they want and buy. Here is why:

Pre-qualifying will help you in the following ways:

1. Generally, interest rates are locked in for a set period of time. You will know in advance exactly what your payments will be on offers you choose to make.
2. You won't waste time considering homes you cannot afford.

Pre-approval will help you in the following ways:

1. A seller may choose to make concessions if they know that your financing is secured, which may make your offer more competitive.
2. You can select the best loan package without being under pressure.

## How Much Home Can You Afford?

There are three key factors to consider:

1. The down payments
2. Your ability to qualify for a mortgage (your debt-to-income ratio)
3. The closing costs associated with your transaction

## Down Payment Requirements

Most loans require a down payment between 3.5% and 5.0% depending on the type and terms of the loan. If you have 20-25% of the purchase price in reserve as down payment, you may be eligible to take advantage of special fast-track programs and can usually eliminate mortgage insurance.

## Closing Costs

You will be required to pay fees for loan processing and other closing costs. These fees must be paid in full at the closing, unless you are able to include them in your financing. Typically, total closing costs will range between 2-5% of your mortgage loan.

## Qualifying for the Mortgage

Most lenders require that your monthly payment range between 25-28% of your gross monthly income. Your mortgage payment to the lender includes the following items:

- Principal of the loan (P)
- Interest of the loan (I)
- Property taxes (T)
- Homeowner's insurance (I)

Your total monthly PITI and all debts should range between 33-38% of your gross monthly income.

## **The Ten Commandments**

### **When Applying for a Real Estate Loan**

1. **Thou shall NOT change jobs, become self-employed or quit your job.**
2. **Thou shall NOT buy a car.**
3. **Thou shall NOT open a new credit card account, use your credit cards excessively or let your accounts fall behind.**
4. **Thou shall NOT spend money that you have set aside for closing.**
5. **Thou shall NOT omit debts or liabilities from your loan application.**
6. **Thou shall not change bank accounts.**
7. **Thou shall NOT originate any inquiries into your credit.**
8. **Thou shall NOT make any large deposits or transfers without first checking with your loan officer.**
9. **Thou shall NOT co-sign a loan for anyone.**
10. ***Thou shall NOT make any large purchases until after closing!***

# Most Common Items Needed to Complete Your Loan Application

## Income Items:

- W-2's for the last two years
- Most recent pay stubs covering a 30 day period (must include year-to-date income)
- Federal tax returns for the last two years (all pages)
- Year-to-date Profit and Loss Statement and applicable 1099's (for self employed)
- Corporate or Partnership tax returns including K1's (if you own 25% or more of the business)
- Pension Award Letter (for retired individuals)
- Social Security Award Letters (for those on Social Security)

## Asset Items:

- Bank statements for previous two months on all accounts (all pages)
- Statements of your most recent two months statements or last quarterly statement for stocks, mutual fund accounts, retirement accounts, 401K's, etc. (all pages)
- Explanations of any large deposits or transfers including source of the funds.
- Copies of lease agreements and of any rental properties you may own.

## Credit Items:

- Landlord's name, address and phone number (if you rent – for verification of rental)
- Explanations of any of the following items that may appear on your credit report:
  - Late payments
  - Credit inquiries in the last 90 days
  - Collections
  - Judgements
  - Liens
- Copy of bankruptcy papers if you have filed for bankruptcy in the last seven years (all pages)

## Other Items:

- Copy of Purchase Agreement (if you have already made an offer on a property). If building, include a copy of the plans and specs.
- Credit Card for appraisal charge
- Copy of your current mortgage statements (if available)
- Homeowners Insurance declaration page and HUD1 Settlement Statements for any properties you may currently own.
- *Additional information may be required depending on the type of loan you request.*

# How to Buy a Great Home

## Scout out the Neighborhood

It is important for you to become familiar with the neighborhood that you are interested in. Visit the area at different times of the day, during the week and on weekends. Here are some factors to consider:

- How well are the homes being maintained.
- Listen for noise disturbances like railways, schools, highways and air traffic.
- Check with local civic, police, fire and school officials to discover information about the area.
- Be aware of any unpleasant odors caused by commerce or agriculture.
- Observe local traffic patterns during different times of the day.

## Making an Offer

Once you have found the home you wish to purchase, you will need to determine what offer you are willing to make. It is important to remember that the more competition there is for the home, the higher the offer should be. Remember, BE REALISTIC.

To communicate your interest in purchasing a home, we will present the listing agent with a written offer. When writing an offer, you should be prepared to pay an earnest money deposit and due diligence fee. These are to guarantee your interest in purchasing the property, wherein, the seller will take the property off the market while your inspections and appraisal take place. Earnest money is usually around 1% of the purchase price of the property. Due diligence is negotiable.

After presenting your offer, the seller will either accept or reject your offer or will make a counter offer. This is when we will negotiate terms of the contract if necessary. When the seller accepts the offer and signs, it becomes a legal contract.

We use the Offer to Purchase and Contract, approved by the North Carolina Bar Association and the North Carolina Association of REALTORS®, Inc. A sample copy is included in this packet.

## What Happens Next?

Once you are under contract, the lending process begins. Your lender will submit your loan application, run a credit check and order the appraisal.

Your Real Estate attorney will handle the following:

Tax Check – What taxes are owed on the property?

Title Search – Documents are gathered from various public records: Deeds, Deeds of Trust, various assessments and matters of probate, heirship, divorce and bankruptcy are addressed.

Title Examination – Verification of the legal owner and debts owed.

Document Preparation – Appropriate forms are prepared for conveyance and settlement.

Title Insurance – There are two types of title insurance:

1. Coverage that protects the lender for the amount of the mortgage.
2. Coverage that protects your equity in the property.

Settlement/(Closing) – The attorney oversees the closing of the transaction, wherein, the Seller signs the deed. As a Buyer, you will sign the new Deed of Trust and the new loan is established. Sellers, Realtors, attorneys and other service providers for the parties are paid.

## Home Inspections

We highly recommend that you have a professional inspectors conduct a thorough inspections of the property being purchased. The inspections will include the following:

Appliances	Plumbing	Wood-Destroying
Insects		
Electrical	HVAC	Septic
Ventilation	Roof and Attic	Wells
Foundation	General Structure	

The inspections are not designed to criticize every minor problem or defect in the home. It is intended to report on major damage or serious problems that require repairs. The inspector's job is to make you aware of repairs that are recommended or necessary.

The seller may be willing to negotiate completion of repairs or compensate you for completion of repairs. The inspector may also discover problems with the home that you may decide are not worth the work or money to complete.

In choosing inspectors, consider one that has been certified as a qualified and experienced member by a trade association.

## **Home Warranty Protection**

We recommend purchasing home warranties when purchasing homes and in some cases, the Seller will purchase one for you. Home warranties protect you against most ordinary flaws and breakdowns for at least the first year of occupancy.

We have included an Old Republic Home Protection Co., Inc. brochure for you to review.

## **What is a Real Estate Closing?**

A “closing” is where you and I meet with your attorney to represent you, in order to transfer the property title to you. The purchase agreement contract you signed describes the property, states the purchase price, sets forth the method of payment, and includes the date of ownership transfer of the property. In the state of North Carolina, it is important to know that the Deed must be recorded with the county's Register of Deeds before keys can be transferred.

If financing the property, you will be required to sign a Promissory Note, as evidence that you promise to pay back the loan. You will also sign a Deed of Trust or mortgage on the property as security to the lender for the loan. The deed of trust or mortgage gives the lender the right to foreclose on the property if you fail to make payments.

At closing, you will be required to pay all fees and closing costs associated with the transaction. Your Lender will notify you of the exact amount needed as per the Good Faith Estimate prior to closing.