

A couple is seen from behind, embracing each other. The woman is wearing a red and white plaid shirt, and the man is wearing a blue denim shirt. They are standing in front of a two-story house with a porch. The house has a brown roof and white trim. The background is slightly blurred, showing some greenery.

HOME BUYING GUIDE

Hero Home Programs





FINANCIAL BENEFITS TO OWNING A HOME

Getting into a home doesn't just improve your quality of life in the present, it also helps you to build wealth and set yourself up for a brighter financial future. Here are 3 major financial benefits to owning a home.

APPRECIATION

Real estate value has risen consistently over the long term. Median single family existing home sale prices have increased on average 4.3 percent every year from 1991 through 2021, according to the National Association of REALTORS® (NAR).

EQUITY BUILDING

Payments on a home are an investment in your future. Typically the value of your home appreciates, and the amount you owe on your mortgage decreases over time. This is called equity. Equity can act as a built-in savings plan, giving you more leverage and refinancing options in the future.

Here's how to calculate your home equity:

Home Equity = Current Value Of Your Home - What You Owe On Your Mortgage

TAX BENEFITS

There are many tax benefits to owning a home. These include both tax credits as well as tax deductions.

A tax credit is money taken off your tax bill. For example, if you receive a tax credit of \$400, then you will owe \$400 less on your taxes. One example of this is the Renewable Energy Tax Credit. If you install additions to your home that generate renewable energy (such as solar panels), you may be able to get a credit taken off of your tax bill.

A tax deduction reduces your taxable income. For example, if you make \$60,000 per year, and you're able to deduct \$5,000 for that tax period, this reduces your taxable income to \$55,000. Some examples of costs that you may be able to deduct from your taxes are mortgage interest and property taxes.

The exact tax benefits you qualify for may vary. Talk to a tax advisor to learn what benefits are available to you.

QUESTIONS TO ASK YOURSELF BEFORE STARTING

Purchasing a home is very exciting and, more importantly, a major leap forward in life. Ask yourself these questions before taking the leap:

What is your “Why” to buy a home in the first place?

Everyone’s reasons for buying a home are different (and highly personal). Allow yourself to answer this question honestly, free from external pressures or expectations.

Maybe you’re looking to invest and build wealth through homeownership. Perhaps your main priority is moving into a better community for your family. Or you want more space to pursue your passions and hobbies. Think about the top 1-3 reasons why you want to buy a home. These will act as your north star to keep you focused on your goal.

What’s your home buying timeline?

Timing is an important factor for getting you the best value possible on your home purchase. It may be in your best interest to wait, or it may make more sense for you to move forward sooner rather than later. In either case, your Hero Home Programs accredited lender will take your unique timeline into account when researching the best financing options available to you.

If you’re unsure what timing makes sense for you, ask your lender for guidance. They’ll be happy to have an honest conversation about your home buying timeline, so you can not only get the very best value in the present, but also set yourself up for a better financial future.

How's your credit?

It's a good idea to look at your credit score before speaking with your lender. Checking your own credit is known as a soft inquiry and should not affect your score. However, you do not necessarily need a perfect score to qualify for a home loan, so don't disqualify yourself! Ask your Hero Home Programs lender how your credit score may affect your eligibility.

You should regularly check your credit report for errors. Federal law gives you the right to obtain one free credit report every year. To access your free credit report, visit <https://www.annualcreditreport.com/>.

Are you saving up for costs such as down payment, moving expenses, closing costs, and an emergency fund?

While a 20% down payment has historically been the gold standard, there are special programs that require as little as 3% or even 0% down. In fact, it may make sense to put less money toward the down payment, and allocate those funds toward closing costs instead. Talk to your Hero Home Programs accredited lender to discuss which down payment options are best for you.

In addition to down payment and closing costs, don't forget to account for moving expenses, as well as an emergency fund. After speaking with your lender, they'll give you a better idea of whether or not you should save up more for these expenses.

Do you have the time and energy to maintain your new home?

Owning a home requires time and energy for general maintenance and upkeep. Can you stay organized and on-task when managing these responsibilities?

Though maintaining a home can be a lot of work, many homeowners take pride and enjoyment in these responsibilities. Keeping one's home in good condition can be a regular source of reward and accomplishment.

CREATING A **Budget**

It's always good to know how much money you have coming in and going out of your household. Here are 3 benefits to creating a budget:

- Determine how much you can comfortably afford as far as a monthly mortgage payment
- Get crucial info you need to create a plan or strategy for saving
- Identify any spending habits you can improve or extra expenses you can eliminate

To create your budget: First, write down your total monthly income after taxes. Make sure to take ALL your sources of income into account.

Go back through your bank statements and credit card charges to review your monthly spending. List out all your fixed expenses (rent, utilities, phone bills, car payment, etc) in one column.

Next, create a list of all your variable expenses (groceries, fun, shopping, etc) in another column. Because these expenses change from month to month, you may want to go back over the last 3-6 months and find the average to estimate your monthly variable expenses.





HOME WISH LIST

Creating your home wish list is about recognizing everything you NEED in a home, then adding on the extras that you WANT. The first item on your home wish list should be location(s). Next, think about home size, as in the number of bedrooms and bathrooms needed to accommodate your family. After, you can add on all the bells and whistles you want.

A home wish list should be fun and exciting. Make sure your final list is realistic and within your reach. Prioritize “must-haves” before listing your “nice-to-haves.”

THE HERO HOME PROGRAMS

The Hero Home Programs is an **e-learning** and **local support** organization that helps our local heroes by educating them about the true cost of homeownership and connecting them to **local benefits** and **programs** that they may qualify for. This comprehensive set of programs will **take care of all the research** for you as to the available benefits, both in down payment assistance, closing cost assistance, as well as any government grants that may exist. A lot of people do not know that there are city, state and county grants that you may qualify for - which is very exciting. The Hero Home Programs starts doing that research for you, so that you don't have to.

And then we line up the **best financing options possible** for you in combination with the above benefits. The thing that really makes the Hero Home Programs amazing to work with is the incredibly **strong portfolio of different loan products** to help you. A lot of companies out there have limited options, which can end up putting you in a box.

But with the Hero Home Programs, it's a very **customized approach** to your situation. This allows the program to not only get you the best rate available, but the overall loan package that makes the most sense for you.

One of the cool things that separates the Hero Home Programs from others is that when you're getting to the point of financing, most lenders will run your credit right off the bat, but **we take a different approach**. We prefer to wait until the right time to run a credit check, because we don't want you to take any unnecessary hits to your score.

We want this to be a valuable experience for you. That's why our accredited lenders not only check credit for approved recipients to help them finance, but they stand beside you to help you improve your credit*, to ensure that you get the best rate possible and the financing you need to get your dream home. We want you to have **financial freedom** and **true financial options** down the road. The Hero Home Programs will be standing beside you every step of the way.

**The Hero Home Programs is not a licensed or certified credit repair service. If you need help repairing your credit, ask your Hero Home Programs lender for recommendations, and they may be able to refer you to a certified credit counselor. For more information on credit repair and maintenance, visit <https://www.ftc.gov/>.*





FINANCING YOUR HOME

You've created a budget and your credit report is clean of any errors. Now it's time to meet with your lender and go through the pre-approval process for home loans. Being pre-approved for a home loan gives you a lot more buying power with home sellers. Here's what you need to know about the pre-approval process:

PRE-QUALIFICATION

Pre-qualification is the first step in the home financing process. There are no credit checks or major commitments at this stage. Rather, pre-qualification is a fact-finding conversation between yourself and your lender to discuss your home buying goals, and answer some questions about your income, work history, credit score, and debts.

From there, your lender will explain your different financing options, as well as send over a list of documents that they'll need from you. Once your lender has these documents in hand, they'll be able to move you along toward pre-approval.

GET PRE-APPROVED

After reviewing the required documents and checking your credit, your lender can evaluate your eligibility for a home loan. Once you're pre-approved, you will receive a pre-approval letter. This letter includes your maximum loan amount, which tells you how much home you can afford. Knowing your maximum loan amount will help you to set your budget before house shopping.



KEEP YOUR FINANCES STABLE

A pre-approval is not a guaranteed loan. It is only to show that the bank is willing to lend you a certain amount of money depending on your current financial situation. Sudden changes in your finances may hurt your chances of getting final approval.

Once pre-approved, avoid making large purchases, taking on more debt, opening or closing credit lines. Make sure not to miss any scheduled payments, especially credit card bills or loan bills (such as your car payment).

If you have any questions about how to keep your credit stable throughout the financing process, reach out to your lender and ask before making any changes that could affect your score.

SAVE FOR A DOWN PAYMENT

Depending on the type of home loan and what programs you qualify for, you will be expected to pay anywhere from 3% to 20% of the home purchase price. (However, some programs do require as little as 0% down).

Your lender will consult with you to go through your down payment options. They'll also run through different financing scenarios, giving you an estimate of what your monthly mortgage payments would be.

LOAN ESTIMATE AND CLOSING DISCLOSURES

The purpose of your Loan Estimate (LE) and Closing Disclosures (CD) is to make sure that you “Know Before You Owe.” In other words, these forms disclose everything you need to know about your mortgage, the costs, fees, and terms BEFORE you commit to the loan.

When putting together your LE and CD, your lender has to take into account ALL the information they have available to them. Based on that info, your lender must be as accurate as possible in estimating the overall cost of closing and the lifetime cost of your loan.

LOAN ESTIMATE

Your Loan Estimate (LE) will come into play after you find the property you’d like to purchase.

When putting together your Loan Estimate, your lender has to be accurate in estimating your costs ahead of time to ensure you’re not hit with any surprise fees at closing.

With items such as the loan amount, funding fees, and certain closing costs: Once these items are defined in the Loan Estimate, they cannot change if you move forward in getting approved for the loan - unless there is a change of circumstance. (In that case, your lender has to do a Revised Loan Estimate.).

However, there are costs that may change from the Loan Estimate. These include taxes, insurance, HOA dues, pest inspection fees, or title service fees (if you decide to shop around and choose your own title company).

CLOSING DISCLOSURES

You should receive your Closing Disclosures (CD) at least 3 business days before closing. Your Closing Disclosures form is like a finalized Loan Estimate. It breaks down all the costs of your loan. Ideally, the costs and fees laid out in your Closing Disclosures should match (or come close to matching) your Loan Estimate.

For more information on Loan Estimates and Closing Disclosures, check out the Consumer Financial Protection Bureau’s website at <https://www.consumerfinance.gov/>. The CFPB website provides a wealth of helpful resources - it even has sample Loan Estimate and Closing Disclosure forms!



CHOOSING A REALTOR

Picking the right real estate agent is absolutely crucial, especially when you are in a highly competitive “seller’s market.”

The realtor’s responsibilities include taking you out shopping for homes, helping you put together your offer, discussing all the contingencies that go into your offer, negotiating with the seller, and then renegotiating with the seller later on in the event that issues arise with the home inspection or the appraisal.

Before you put an offer down on a home, your realtor will work with you to make sure that offer is as attractive as possible to the seller, therefore improving your buying power and increasing the chances of your offer being accepted.

Think of your realtor as someone who’s balancing the scales. On one end, they want to make sure your offer has you fully covered. On the other end, they want to ensure your offer is appealing to the seller. It’s a balancing act that requires a good deal of experience, expertise, and market savvy.

When choosing a real estate agent, do not take this decision lightly. If you don’t already have a real estate advisor that you absolutely love, ask your Hero Home Programs accredited lender who they believe would be the best fit for you.

START YOUR HOME SEARCH

The home wish list you created, the pre-approval letter, along with your maximum loan amount will greatly help your real estate agent. This will allow the agent to get right to work in finding your dream home.

MAKE AN OFFER

You've found the house of your dreams and it's in your price range. Time to make this dream into a reality by making an offer to the seller. The offer will include your offer price, contingency clauses, and other conditions.

EARNEST MONEY When submitting an offer, earnest money is required and is held in an escrow account. At closing, your earnest money is typically credited back to you as part of the down payment or closing costs.

LIMIT YOUR OFFER Include a time and date that your offer will expire. Do not let it sit on the table for a long time. Your agent should be familiar with the customary deadlines for your market.

INCLUDE A PRE-APPROVAL LETTER You will need to include your pre-approval letter along with your offer to the seller. This will give the seller confidence that you are able to close on the home purchase.

CONTINGENCIES Contingencies are clauses that you include in your offer to secure your earnest money should unforeseen situations happen. For example, if the house fails the inspection, then a home inspection contingency allows you to back out of the deal. Your realtor will work with you to decide which contingencies you should include in your offer.

SELLER'S DISCLOSURE Once your offer has been accepted, the seller will have a certain number of days to give you full disclosure of anything that is wrong with the house. Review the seller's disclosure once you receive it. You have a certain number of days to change your mind or rescind your offer if you find any discrepancies with the home in the seller's disclosure.

HOME INSPECTION IS KEY

The home inspection gives you a chance to uncover any issues that need to be taken care of before you can move ahead toward Closing Day. This inspection also gives you the opportunity to address these concerns with the seller. After receiving the home inspection report, your realtor can help you negotiate with the seller on pricing, or even get the seller to fix any issues with the home.

The home inspector will look for problems with the home's foundation, HVAC systems, roof and gutters, plumbing, electrical systems, attic and basement, window and doors, and more.

You'll probably want to research reviews and choose your own certified home inspector. Choosing your own inspector gives you peace of mind knowing that your inspection report is completed by a neutral third party.

It's highly recommended that you attend the inspection. This gives you the opportunity to ask questions, take a closer look at your new home, and learn what maintenance may be needed in the future. The inspection itself will take a couple hours to complete. Afterwards, it may take around 2 or 3 days until you receive the written report.

HOME INSPECTION CONTINGENCY

You'll want to include home inspection contingencies in your offer. If the house fails the home inspection (meaning there are major deal breakers such as problems with the foundation, roof, or safety concerns), then this contingency allows you to renegotiate with the seller, or back out of the deal without losing your earnest money deposit.



THE APPRAISAL

Your lender will request a property appraisal of your new home, because they need to know the valuation of the property before they sign the dotted line to approve your home loan.

Lenders need property appraisals to protect the money they lend you to buy your home. This is to make sure that the loan amount does not exceed the home's appraised value. Keep in mind that the appraisal also protects you by ensuring you're not overpaying more than what the home is worth.

The estimated value of a property is determined by several factors that add to and detract from the total value. These factors include the property's age, condition, amenities, and neighborhood. Similar properties of neighboring homes within the same area are also used to determine a property's value.

APPRAISAL CONTINGENCY

If the property appraisal comes back with a valuation that is lower than the agreed upon purchase price, then the lender may not be able to fully approve your home loan, which could delay closing.

In this case, you and your realtor can renegotiate with the seller, asking them to lower the purchase price, which in turn would lower the home loan amount. Another option is to order another appraisal and contest the original appraisal. (Keep in mind, your lender should be well-versed in the appraisal process, so if the appraisal does come back lower than expected, your lender should be able to work with you to find a solution.)

Talk to your realtor about including an appraisal contingency in your original offer. This contingency protects you in the event that the appraisal comes up with a valuation lower than the purchase price. If this appraisal prevents you from closing on your home loan, then you can back out of the deal and recoup your earnest money.

WHAT TO EXPECT ON CLOSING DAY

Your lender should be in close contact with you, keeping you informed so you know exactly how to prepare for closing. But to go ahead and give you a better idea of what to expect, here are some of the major items covered on Closing Day:

REVIEW YOUR CLOSING DOCUMENTS

You should receive your Closing Disclosures at least 3 business days before closing. The Closing Disclosures list out every important detail that goes into financing the purchase of your house. Double check and understand the terms of your loan and the mortgage payments required. Your exact mortgage payments, the loan interest, and the final closing costs are all outlined in the Closing Disclosures.

ITEMS FOR CLOSING

The following are required 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.

You will also need to bring your Down Payment and payment for Closing Costs. Reference your Closing Disclosures for the amounts. These payments must be provided in the form of a wire transfer or a cashier's check.

MAKE IT OFFICIAL

The deed to a home is a legal document that verifies your ownership or "title" of the property. At closing, the seller will sign the deed over to you, a title agent will register the new deed and transfer ownership to your name, and then you'll receive the keys to your new home!

MAKING THE MOVE

Moving day may be a daunting task but the excitement that goes with it far outweighs the work. A solid plan can go a long way to reduce stress and help save money on your move.

DECLUTTER Filter out the clutter you do not use anymore. You can make extra money for your move by selling these items online or in a yard sale.

CREATE TO-DO LISTS Create a few different to-do lists: for Packing, Prepping For Moving Day, a Moving Day to-do list, and an Unpacking to-do list. It's important to prioritize your tasks to determine what needs to be done in which order.

HAVE AN ESSENTIALS BOX For each room of your new home, have an essentials box with the items you'll need immediately upon arrival. For example, your kitchen essentials box may include your coffee maker, a pan, and a couple utensils for cooking simple meals. Clearly label these boxes so you can easily identify them.

SETTLING IN Start by placing boxes and furniture in their appropriate rooms. Set up the beds, the bathrooms, then unpack the essential boxes for each room. The rest can be unpacked in due time. At least you now have an idea where everything should go if they are placed in their respective rooms.



AND FINALLY, CELEBRATE.

You Deserve it.



www.HeroHomePrograms.com