THE UNION MEMBER'S

ULTIMATE GUIDE TO HOMEOWNERSHIP

How To Maximize Savings and Win Your Dream Home

THE HERO HOME PROGRAMS

Helping Everyone Reach **Ownership**

Hey friend! Thank you for downloading this Ultimate Guide To Homeownership! By taking the time to access this guide, you're well on your way to getting into your dream home.

As an organization that is dedicated to **Helping Union Members Reach Ownership**, we've seen firsthand how being well-informed about the road ahead can make a massive, positive difference on your homeownership journey. To help you, we've created this guide on how to maximize savings when purchasing your dream home.

Real quick if you didn't know, The Hero Home Programs are a comprehensive collection of benefits that offers **discounts**, **rebates**, and **government grant programs** to our local community heroes. It's all about helping our local heroes save on their home purchase by connecting them to the **benefits** and **programs** they may qualify for.

We define "local heroes" as the people who sacrifice so much on a daily basis to make our local communities - and our country - a better place to live. Given our nation's history, it's no surprise that union members fall into the "local heroes" category without question.

Belonging to a labor union is a **huge responsibility** that many people take for granted. A lot of people don't understand just how important unions are to our nation's progress.

As you probably know, our nation's unions are there to protect our citizens from being taken advantage of in their line of work. It's about **putting people and families first** above all else.

Being a member of a labor union is a massive responsibility. It's one of the checks and balances that keeps large corporations from taking advantage of American citizens and their families.

You've gone to bat for us, and you've fought for worker's rights all across our country. At the very least, **you deserve someone in your corner** to fight and to advocate for you in return.

At the Hero Home Programs, we want to give thanks and show our gratitude for what you do. Our accredited mortgage advisors are here to **advocate for you** and **help you get the maximum benefits** out of homeownership.

As part of that advocacy, we are here to help you **access hidden grants, programs, and benefits**, so that you can purchase the dream home you love - at a great price you can afford.

The exciting part about this is there are home programs and grants that may be available to **help you save hundreds - if not thousands - of dollars** on your purchase.

Many of these home programs may be available to you based on your occupation as a union member. However, **we don't want to limit you** to just occupation-based home programs.

In addition to home programs for union members, there may be even more benefits available to help you save on your home purchase. Our accredited mortgage advisors will do that research for you to ensure you don't miss out.

We're here to help match you to the best financial benefits available, but in addition to that, education is also extremely important to us.

As part of our mission, we've created this Ultimate Guide To Homeownership to prepare you for your home purchase journey!

This guide includes a wealth of valuable information for you. There's a LOT we'll be covering here...

But before we dive in, if you want personalized help to maximize savings on your home purchase, go ahead and schedule a call with one of our advisors and they'll be happy to walk you through the grants or benefits you may qualify for. **Click this link** to book your call!

On the next page, we'll show you how you can navigate this guide - ensuring you get the most valuable information possible out of this!

NAVIGATING THE ULTIMATE GUIDE TO **HOMEOWNERSHIP**

To prepare you for this Ultimate Guide To Homeownership, here's a quick overview of all the steps!

Step 1: Reviewing Your Finances

This is a bit of a longer step here, because it is absolutely PACKED with valuable info. Here we'll break down some important financial info that you should know before embarking on your home buying journey.

- What are the **4 main financial factors** I need to consider?
- What do I need to know about **income verification** before buying a home?
- How high of a **credit score** do I need?
- How much do I need to save for **down payment** and **closing costs**?
- **Should I wait to build up credit** or move forward with the home buying process?
- How do I know if I'm **financially ready** to buy a home?
- How do I figure out **how much house** I can afford?

Step 2: Pre-Qualification And Pre-Approval

Pre-qualification and pre-approval can seem a little confusing at first. To make this step crystal clear, here's what we'll be covering:

- What's the difference between **pre-qualification VS pre-approval**?
- Why is it a good idea to get pre-approved BEFORE shopping for homes?
- **What does it take** to get pre-approved?
- Do I have to take **multiple hits to my credit** score?
- What **documents** will I need to provide at this stage?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Step 3: Choosing A Realtor

A lot of people don't know just how ESSENTIAL an experienced realtor is to helping you get a great deal on your home purchase! What you need to know:

- What should I expect from a **great real estate agent**?
- What are my realtor's **responsibilities**?
- What are some **tips for choosing a realtor**?
- What do I need to know about the **transaction fee** and **buyer's contract**?

Step 4: House Shopping

Searching for homes can stir up a WIDE range of emotions, from excitement to stress and everything in between. Let's get ready for it!

- **How do I prepare** for the home search?
- What are the **main factors** that I'll need to consider when house hunting?
- What are some **tips to help me** with these decisions?

Step 5: Make An Offer, Seller Accepts, Earnest Money Deposit

From this point forward, things will start to move pretty fast. Here's what we'll cover:

- Who's going to help me **put an offer** together?
- How to tell if I'm in a **buyer's market** or a **seller's market**?
- What are **offer contingencies** and why are they important?
- What's an **earnest money deposit**? How much is it?
- What items are included in the **offer contract**?
- What do I need to know about **locking in my interest rate**?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Step 6: Home Inspection

The home inspector will look at the overall condition or "health" of the property. What you need to know about this step:

- How **can I prepare** for the home inspection, and **how much does it cost**?
- What does the home inspector look for?
- What are some **additional inspections** I may need?
- What happens if the home inspection **uncovers problems** with the property?
- What are the **next steps** after the home inspection?

Step 7: Home Appraisal

Some people consider the appraisal a major "make-or-break" moment. But it's not as big of a nail-biter as you might think! How to prepare for the appraisal:

- Why do lenders **require property appraisals** before closing?
- **How much** does the appraisal cost?
- What does the appraiser **look for**?
- What happens if the appraisal **comes back lower** than expected?

Step 8: Underwriting

At this step, we'll show you a behind-the-scenes look at how underwriting works, as it's important for you to know what it takes to get the final approval.

- What **do I need to know** about underwriting?
- What are the "**4 C's of Underwriting**"?
- Why should I maintain **close contact** with my mortgage advisor during this step?
- What do I need to know about the **final document collection**?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Step 9: Clear To Close

Almost ready to celebrate! We've done the bulk of the hard work and are nearly at the finish line. Here's what we'll cover in this step:

- Getting ready for **Closing Day**
- **What do I need to bring** to Closing Day?
- Who's going to **prepare** me for the Closing Day meeting?
- What is **title insurance** and why do I need it?
- What are **prepaids**? What does "**per diem interest**" mean?

Step 10: Closing Day

All that hard work has led up to this moment! Let's give you a heads up on what to expect:

- **What to expect** on Closing Day
- Why is a **final walk through** a good idea?
- How will I pay the **down payment** and **closing costs**?
- When will my first mortgage payment be **due**?

As you can see, we have a LOT to cover throughout these 10 Steps, but that's not all...

Along the way, you'll notice some helpful tips off to the side, which we like to call "**PIT STOP TIPS!**" so keep an eye out for those.

Awesome, now you have a full overview of the **Ultimate Guide To Homeownership**, let's get started with Step 1!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 1

REVIEWING YOUR FINANCES

- What are the **4 main financial factors** that I need to consider?
- What do I need to know about **income verification** before buying a home?
- How high of a **credit score** do I need?
- How much do I need to save for **down payment** and **closing costs**?
- **Should I wait to build up credit** or move forward with the home buying process?
- How do I know if I'm **financially ready** to buy a home?
- How do I figure out **how much house** I can afford?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

The first step to buying a home is asking yourself, *Am I financially ready?*

To help you, let's look at the 4 main financial factors that impact your home purchase!

THE 4 MAIN FINANCIAL FACTORS WHEN BUYING A HOME

As far as your financial situation goes when buying a home, there are 4 main factors that will come into play:

- **Income**
- **Savings**
- **Credit Score**
- **Debt-To-Income Ratio (DTI)**

PIT STOP TIP! Creating A Budget

If you haven't looked over your budget lately, now's probably a good time to. **Here are 3 benefits to creating a budget:**

1. Determine how much you can comfortably afford as far as a monthly mortgage payment
2. Get crucial info you need in order to create a game plan for saving
3. 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.

FINANCIAL FACTORS DISCLAIMER

Hey friend! You might notice us sounding like a broken record here in saying that you should "speak to a mortgage advisor" for more personalized guidance on this.

There's actually a good reason behind this - it's an important disclaimer to make. We want to fill you in on what it takes to get a great deal on your home purchase, but this is NOT personalized financial advice.

Whether or not you speak with a **Hero Home Programs accredited mortgage advisor**, you should still speak to a trusted, experienced mortgage advisor nonetheless, especially if you have any concerns about your income, credit, savings, or DTI holding you back from getting into a home. (We'd just hate for you to disqualify yourself without speaking to a professional beforehand.)

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Income

In order to qualify for buying a home, your mortgage advisor will need to verify your income. And when verifying your income, your mortgage advisor wants to prove that your income is **"stable and likely to continue."**

This is part of the reason why it's ideal for you to have been employed in the same field for at least 2 years, because that 2 year time period helps to prove that your income is in fact stable and likely to continue.

So there's a rule that you may need to show **continuous employment for at least 2 years in the same field** in order to qualify...

However, if you've made any changes during that time period for advancement or special training in that field (such as college education), then that doesn't necessarily disqualify you!

Generally, when verifying your *primary* income, your mortgage advisor will ask for **2 years of W2s** or **30 days of paystubs**.

But you might also have some *secondary* sources of income as part of your job such as overtime, yearly or quarterly bonuses, commissions in addition to your base salary, or part-time earnings.

All of these **secondary sources of income can potentially be counted** toward your income verification.

But what if you're not a W2 employee?

No sweat! Even if you're not a W2 employee, this does not disqualify you from buying a home!

If you're a business owner, a contract worker, or you're self-employed, you're just going to have to provide different documentation to support that income source.

These documents may include 2 years of tax returns, profit and loss statements, or balance sheets, but your mortgage advisor will tell you exactly what they need from you there.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

What about secondary or non-traditional income sources?

Secondary or more non-traditional sources of income can potentially be counted toward your income verification.

Here are some examples of what these non-traditional income sources could be:

- ☑ Side gigs (rideshare service, grocery delivery, pet care, etc)
- ☑ Sales or commission-based jobs
- ☑ Seasonal employment (landscaping, holiday festivals, summer school teacher)

With these non-traditional forms of income, your mortgage advisor just needs to prove that they are stable and likely to continue.

If you've been working that **side gig, commission-based job, or seasonal job for 2 years**, then that's going to be much easier for your mortgage advisor to verify that income for you.

They'll usually just look at your total income from that job over the last 2 years, figure out that average, and verify the income source from there.

So even if you have a non-traditional source of income like side gigs, commission-based, or seasonal employment, if you've been doing that job for some time, then this shouldn't be a problem...

Now where it gets difficult is if you just picked up that new job a couple months ago and now you're looking to buy a home.

In that case, it might be a little harder to verify that source of income for your home loan.

And sure, you could still **use that extra source of income** for things like **moving expenses**, **home maintenance, extra savings, or other costs** not directly related to your home purchase, but it may just not be able to count as part of your **qualifying income** when getting you approved for a mortgage.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

What about other sources of income that are not related to your current employment?

Examples of additional income sources:

- Rental Income
- Pensions
- Disability Payments
- Retirement
- Interest-Yielding Investments
- Alimony or Child Support
- Social Security
- And more!

All these income sources may potentially be counted as part of your qualifying income when getting you approved for a mortgage.

Even if they can't count as your primary source of income, they may be useful for when your mortgage advisor is getting you approved.

That's why when talking to your mortgage advisor, it's a good idea to disclose ALL your sources of income to them.

INCOME VERIFICATION SUMMARY

- Your mortgage advisor has to verify your income in order for you to qualify for a home loan.
- Typically, your income has to be "stable and likely to continue" in order to count as part of your qualifying income when getting a mortgage.
- Non-traditional or secondary sources of income can potentially count, so make sure you disclose ALL your income sources to your mortgage advisor!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Credit Score

When buying a home, there are a lot of benefits that come with having a high credit score. These benefits include:

- Better chance of getting approved for a home loan
- More likely to get a lower interest rate on your mortgage
- Wider access to home programs that can help you save on your home purchase

If you haven't already, make sure you check your credit report for errors. You have the legal right to obtain one free credit report every year, and you can access this at **AnnualCreditReport.com**

If you notice any errors, make sure to dispute them ASAP.

How high of a credit score do I need?

The higher your credit score, the better, but you don't necessarily need perfect credit to get into a home.

Ideally, having a credit score of around 620 - 640 or higher is going to put you in a better situation when you're gearing up to buy a home.

But there are programs out there that can help people whose scores are as low as 580.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

What if I'm not sure if I should wait to build up credit or go ahead and move forward with the home buying process?

If you're worried that your credit may be on the lower end right now, it's best to go ahead and talk to a mortgage advisor about your options.

The guidelines and credit score requirements can change, so your mortgage advisor should give you the updated information on that.

And even if you're not quite ready to move forward right now, talking to a mortgage advisor can help you accomplish a few things ahead of time. For instance, they can help you:

- ☑ Figure out if it is in fact in your best interest to wait and build up your credit before getting pre-approved
- ☑ Inform you of the credit score requirements for different loan programs, letting you know what programs are or are not available to you based on your credit score
- ☑ Give you an idea of what score you should be aiming for
- ☑ If needed, they may be able to refer you to a licensed credit counselor

Can I talk to a mortgage advisor without having to pull credit?

Absolutely!

One of the great things about working with a Hero Home Programs accredited mortgage advisor is that they're not going to pressure you into a credit check, because we don't want you to take any unnecessary hits to your score.

After talking to a Hero Home Programs mortgage advisor, if it's determined that it's in your best interest to wait before pulling credit and getting pre-approved, then they will be happy to honor that request and follow up with you later down the road when you are ready to move forward.

If you'd like more personalized guidance on this, schedule your free consultation call with a Hero Home Programs accredited advisor in your area.

They'll be happy to walk you through your options and see what homebuyer programs or benefits you may qualify for. **CLICK HERE** *to book your call!*

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Savings

Now let's talk about how much you should save up for your home purchase.

Down payment is oftentimes the highest expense to save for when buying a home. But it's also a good idea to reserve some cash in hand for other expenses like closing costs, moving costs, and an emergency fund.

PIT STOP TIP! Down Payment, Closing Costs, Cash To Close

A lot of people mix up the terms Down Payment, Closing Costs, and Cash To Close. Here's a breakdown of the 3 terms:

- **Down Payment** is the sum of money you pay upfront when obtaining a mortgage. The down payment is a percentage of your home's purchase price, so if you're putting 3% down on a $300,000 home, then your down payment is $9,000.

  (In that case, your loan amount would be $300,000 - $9,000 = $291,000.)

- **Closing Costs** include all the other fees that go into buying a home and getting a mortgage (IE appraisal, lending fees, title fees, credit report fee, recording tax, pest inspection, flood monitoring).

- **Cash To Close** just means the total sum of your Down Payment + Closing Costs.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

How much should I save for a down payment?

While a 20% down payment has traditionally been the "gold standard," nowadays it's much more common to put down as little as 3% to 5%. In fact, there may be some special grants or down payment assistance programs to help you get into a home with 0% down!

The best down payment options for you will depend on your specific situation. For more personalized guidance on this, talk to a Hero Home Programs mortgage advisor to see what programs are available to you!

What about closing costs?

Closing costs may vary between 2% to 5% of your home's purchase price. Also, the seller may agree to pay for some of these costs, so keep that in mind.

What exactly are closing costs and what fees are included in that?

Closing costs are all the extra fees that go into buying a home and getting a mortgage. These fees include:

- Origination Fees (also known as Lending fees)
- Appraisal
- Home Inspection
- Credit Report Fee
- Title Fees
- Flood Monitoring
- Plot Survey Fee
- Pest Inspection
- Recording Fees
- Transfer Tax
- Prepaids (which include homeowners insurance, mortgage insurance, and property taxes)

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

All these different fees can vary widely depending on your state, your home's purchase price, your local market, your lender, and other factors. Early on when you're first starting the homebuying process, you can ask your mortgage advisor or lender for an **itemized fee sheet**.

The itemized fee sheet isn't a guaranteed breakdown of your closing costs, but it's a quote of the expected costs and terms, giving you a heads up well beforehand.

Later on, after you get pre-approved for a home loan and choose the property you'd like to purchase, your mortgage advisor will then be able to write up a **Loan Estimate**, which gives you a detailed estimate of what your closing costs will be.

Down Payment & Closing Costs: The Bottom Line

It's definitely a good idea to start saving now if you're looking to buy a home. But the reality is that it's difficult to gauge how much you need to save up without speaking to a mortgage advisor ahead of time.

That's because down payment can range from 0% to 20% or more depending on what you decide is the best down payment option for you. Plus, all the different fees that go into your closing costs can vary widely depending on your state, local market, home price, and lender (although closing costs are typically 2% to 5% of the purchase price).

Even if you're not quite ready to buy a home just yet, your mortgage advisor should be happy to consult with you and give you a clearer idea of how much you need to save.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Debt-to-Income Ratio

In simplest terms, your Debt-to-Income Ratio (DTI) is just what you owe each month divided by your gross monthly income.

As you're gearing up to buy a home, it's a great idea to understand how to calculate your DTI, because this gives you a clearer picture of your finances and how much you can afford as far as a monthly mortgage payment.

There are actually 2 Debt-to-Income Ratios to keep in mind:

- ☑ Housing Expense DTI
- ☑ Total Obligation DTI

How can I determine how much I can afford? (Hint: Your Housing Expense DTI!)

Understanding your Housing Expense DTI can give you a rough estimate of how much you can afford when buying a home.

Your Housing Expense DTI looks at the monthly cost of your mortgage (IE housing expense) and divides that by your gross monthly income.

Housing Expense DTI = Total Monthly Mortgage Bill / Gross Monthly Income

Generally, it's ideal to keep one's Housing Expense DTI at around 28% or lower.

However, if your Housing Expense DTI is a bit higher than 28%, that does NOT necessarily disqualify you from buying a home.

Let's break this down with an example!

In this example, your gross monthly income (before taxes are taken out) is $6000.

Let's say you're looking to buy a home and want to find out how much you can afford as far as a total monthly mortgage payment (which includes principal, interest, taxes, and insurance).

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

To get a rough estimate of your monthly Housing Expense budget, take the ideal Housing Expense DTI (28%) and multiply that by your gross monthly income.

28% X $6000 = $1680

Keep in mind, this gives you a **rough estimate** of what you can afford for a monthly mortgage bill. Think of this number as just a great starting point, not necessarily the end-all-be-all of what you can afford.

You'll probably see some conflicting advice out there when determining how much you can afford on a monthly mortgage payment. At the end of the day, you may have to take in all that information (with a grain of salt) and then come to your own conclusions on what's best for you. Here are a couple examples of what we mean:

Some financial advisors say you should keep your total monthly mortgage payment at no higher than 25% of your take-home monthly income (after taxes are taken out). However, that "25% rule" may not be realistic for most people.

Other resources state that you can allocate as much as 31% of your gross monthly income (before taxes are taken out) to your total mortgage bill, but that "31% rule" may not leave enough income left over each month for other expenses.

That's why you may want to speak to a professional about your specific situation before you decide exactly how much you can afford to pay on your mortgage each month.

But what about my Total Obligation DTI?

Your Total Obligation DTI takes your monthly housing expense plus ALL your monthly debts into account. Here's an example:

Let's say your total monthly mortgage bill is $1680, you have a credit card with a minimum monthly payment of $50, a car payment that's $300 per month, and you have student loans with a minimum monthly payment of $75 per month.

And those are ALL your monthly debts. This is not taking into account other expenses such as groceries, utilities, shopping or entertainment.

Take that mortgage bill of $1680 + $50 credit card minimum payment + $300 car payment + $75 minimum student loan payment.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

So your housing expense plus other monthly debts comes out to $2105.

Divide $2105 by your monthly gross income of $6000

And that brings your TOTAL Obligation DTI ratio to 35%

$2105 / $6000 = 35%

An ideal Total Obligation DTI is around 36% or lower. However, if your Total Obligation DTI is higher than 36%, that does NOT necessarily disqualify you from buying a home.

PIT STOP TIP! Loan Types & Debt-to-Income Ratio (DTI)

When qualifying for a mortgage, different loan products have different requirements as far as your DTI goes. Here's a breakdown:

Conventional Loans:

- Housing Expense DTI of 28% or lower
- Total Obligation DTI of 36% or lower

FHA Loans:

- Housing Expense DTI of 31% or lower
- Total Obligation DTI of 43% or lower

USDA Loans:

- Housing Expense DTI of 29% or lower
- Total Obligation DTI of 41% or lower

VA Loans:

- Typically the Housing Expense DTI is not taken into account
- The Total Obligation DTI requirement is 41% or lower

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

FINANCIAL FACTORS REMINDER: Do NOT Disqualify Yourself!

Reviewing your financial health is an important first step toward buying a home. However, you should NOT disqualify yourself before speaking with a mortgage advisor beforehand.

Here's why:

- Guidelines do change over the years. Consulting with a professional should give you the most updated information.
- No mortgage is one-size-fits-all. There are many different factors that come into a play - oftentimes on a case-by-case basis.
- There may be a local program, grant, or some missing piece of the puzzle that helps you qualify for something that you didn't even know was possible!

Part of your mortgage advisor's job is to do the calculations FOR you and make sure you don't get wrongfully disqualified for a program that can really help you.

To speak to a Hero Home Programs accredited advisor who can help you with this, **CLICK HERE** *to get started! They'll be happy to answer your questions and see what programs or benefits you may qualify for.*

CONGRATS ON COMPLETING STEP 1!

Phew, that was a long one, but congrats on everything you just learned! Even if it doesn't feel like it, you are already MILES ahead on your homeownership journey.

Oh and don't worry, we'll be diving into some of the more fun stuff in just a little bit...

Let's keep chugging along with Step 2!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 2

PRE-QUALIFICATION AND PRE-APPROVAL

- What's the difference between **pre-qualification** VS **pre-approval**?
- Why is it a good idea to get pre-approved BEFORE shopping for homes?
- **What does it take** to get pre-approved?
- Do I have to take **multiple hits to my credit** score?
- What **documents** will I need to provide at this stage?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

If buying a home is like getting married, then pre-qualification is the “dating phase” in the relationship (whereas pre-approval is sort of like getting engaged).

Pre-qualification is a fancy word that basically just means talking to a mortgage advisor. Think of pre-qualification as a great first step toward buying a home. There are **no major commitments** or **credit checks required** at this stage.

During pre-qualification, you’ll consult with your mortgage advisor, they’ll ask you what you’re looking to accomplish as far as owning a home, get a better understanding of your story and how they can help you, and they’ll also ask some questions about your finances.

Depending on that pre-qualification conversation, you may be able to get a rough estimate of what you can qualify for, along with what your monthly mortgage payments would be.

If you’re working with **Hero Home Programs mortgage advisor**, they’ll be happy to do the research for you to find the best financial benefits, programs, and local grants available to help you save on your home purchase!

After getting pre-qualified, you can decide whether you want to move forward with the pre-approval.

Why should I get pre-approved BEFORE shopping for homes?

Remember that marriage analogy from before? Well, shopping for homes without getting pre-approved for a home loan… that’s kind of like trying on wedding dresses before you’ve gotten engaged.

Sure, a lot of people might start house shopping before getting pre-approved, and that’s not the end of the world…

But it is strongly recommended that you get pre-approved BEFORE you start house hunting. (In fact, some realtors won’t even take you out shopping for homes until you get that pre-approval letter in hand.)

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Here are the benefits to getting pre-approved for a home loan:

✔ You'll learn your Maximum Loan Amount (IE how much house you can afford).

Knowing your Maximum Loan Amount helps to set your budget, so you know what price range you're working with during your home search. *(Side Note: The Maximum Loan Amount is the absolute ceiling of what you can afford. In fact, it's recommended that you stick with a purchase price that's lower than your Maximum Loan Amount.)*

✔ Getting a Pre-Approval Letter helps you stand out as a serious buyer.

When you find a home you love and are ready to make an offer, having that Pre-Approval Letter in hand basically says to the seller, "Hey Seller, I've done my homework, I know how much I can afford, so you should take my offer seriously."

Let's say you find a home you love and want to pounce on making an offer. If you haven't already been pre-approved, that can delay you and prevent you from making an offer. And the longer you wait to put down an offer... the more likely another buyer is to swoop in on that home. (Yikes!)

What does it take to get pre-approved?

Pre-approval is more detailed than pre-qualification. Here's what's required to get pre-approved:

1 Credit Check

2 Loan Application

3 Document Collection

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

1 | Credit Check

Your mortgage advisor will need to pull credit and take a look at your report. After pulling credit, your mortgage advisor may go over each item on your credit report with you line-by-line just to make sure that everything is correct.

If there's any item on your report that isn't accurate, maybe a debt you've already paid off that just hasn't been cleared from your report yet, then you can address that ahead of time (instead of it becoming a problem later on down the road).

What if I want to talk to multiple mortgage advisors? Do I have to take multiple hits to my credit?

A common fear that many home buyers have is that they don't want to take multiple hits to their credit, especially if they want to shop around for different mortgage options.

The great news is, as long as you stay within a 45-day timeframe, you can have multiple lenders check your credit without taking several hits to your score!

According to the Consumer Financial Protection Bureau, "Within a 45-day window, multiple credit checks from mortgage lenders are recorded on your credit report as a single inquiry."

This means that you have the option to talk to different lenders and submit multiple mortgage applications, without having to take multiple hits to your credit score (as long as those credit checks are all conducted within a 45-day window).

However, this rule only applies if the credit inquiries have to do with the same loan product (IE a home loan).

For example, let's say you fill out a mortgage application and have your credit pulled by a mortgage lender. Then, a week later, you decide to apply for a credit card.

Even though you're staying within that 45-day window, both credit checks would impact your score because those are two different financial products (IE a home loan vs. a credit card).

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

2 | Loan Application

Filling out the loan application can be a bit tedious, but your mortgage advisor will prepare you for this process. And depending on where you live, they may be able to complete the application WITH you to make this process a little easier.

Here's some of the information you'll need to provide when completing your loan application:

- ☑ Personal Identification & Contact Info
- ☑ Employment and/or Self-Employment Details
- ☑ Liabilities (such as credit cards, other debts, or leases that you owe)
- ☑ Assets & Income Details
- ☑ Real Estate Info (if you own any other properties)
- ☑ Military Service (if you or your spouse has served)

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

3 | Document Collection

The exact documentation you'll need to provide can vary greatly depending on your specific situation.

After speaking with your mortgage advisor, they should send over a list of what they need from you, so you know exactly what documents are required to get pre-approved.

To give you a heads up, there are 4 categories of documentation you may need to provide:

- ☑ Proof Of Income
- ☑ Asset Statements
- ☑ Personal Identification
- ☑ Other Documents

NOTE: You will likely NOT need to provide ALL the documents listed below.

This is an EXTENSIVE LIST of document examples, but the exact list of documents required from you will vary greatly depending on your unique situation.

Proof Of Income Examples (for W2 employees)

30 Days of Paystubs

2 Years of W2s

Verification of Employment (VOE) Form

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Proof Of Income Examples (for non-W2 employees)

2 Years of Tax Returns
Profit & Loss Statements
Balance Sheets

Asset Statements Examples

Depository Account Statements
Retirement Accounts
Investment Accounts
Business Assets
Gift Letter (if using gift funds)

Personal Identification Examples

Photo ID
Driver's License
Social Security Card
Individual Taxpayer Identification (ITIN)

Other Documents Examples

Social Security Administrator's award letter (if receiving Social Security benefits)
Divorce decree
Bankruptcy documentation
Proof of Rent Payments/Copy of Lease
Business License
Copy of Ratified Sales Contract
Child Support / Alimony Documentation

After pulling credit, receiving your loan application, and collecting the required documents, your mortgage advisor will then be able to write up a Pre-Approval Letter, which includes your Maximum Loan Amount.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

PIT STOP TIP! Keeping Finances Stable Before Closing

From the moment you first get your credit checked for pre-approval, there are a lot of steps between that time up until closing.

And right before closing, the underwriter will probably need to pull credit one last time to make sure there haven't been any drastic changes to your score.

What can potentially go wrong here is during that time between pre-approval all the way to closing, if you accidentally make some changes that harm your credit score, this could prevent you from getting final approval to close on your home.

Here's what you can do to avoid that problem:

- ☑ Pay bills on time (consider setting bills to autopay)
- ☑ Avoid opening any new credit accounts or loans
- ☑ Avoid closing any existing credit accounts
- ☑ Don't rack up excessive debt (In fact, you may want to avoid making any large purchases altogether.)
- ☑ Talk to your mortgage advisor BEFORE making any changes that could impact your credit or finances.

HOORAY! YOU'VE COMPLETED STEPS 1 & 2!!!

The most tedious steps are OVER!

Time to get into the fun stuff of choosing a realtor (if you haven't already) and then starting your home search.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 3

CHOOSE A REALTOR

- What should I expect from a **great real estate agent**?
- What are my realtor's **responsibilities**?
- What are some **tips for choosing a realtor**?
- What do I need to know about the **transaction fee** and **buyer's contract**?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Choosing the right realtor is absolutely CRUCIAL in helping you score your dream home. Seriously. A realtor can make or break your home purchase.

A highly skilled realtor is going to do so much more than simply taking you out shopping for homes. Here are some of your realtor's responsibilities (IE what you should expect a great realtor to do for you):

- ☑ **Taking you out house hunting** - looking at your home wish list and matching you to homes that suit your needs
- ☑ **Navigating your local market** - knowing what's realistic in your local market, understanding whether an asking price is reasonable, recognizing a rare opportunity when they see one
- ☑ **Negotiating with the seller** - try to save you as much money as possible on fees such as closing costs (Example: The seller may agree to pay for costs like the appraisal, transfer taxes, or realtor commissions.)
- ☑ **Communicating with the seller and/or seller's agent** - avoiding conflict, keeping negotiations running smoothly, preserving a friendly and professional relationship between all parties
- ☑ **Helping you make an offer on a home** - walking you through offer price and conditions, going over contingencies, deciding how long to keep this offer on the table, making your offer appear as attractive as possible to the seller
- ☑ **Improving your buying power** - do everything in their power to give you more leverage over other buyers
- ☑ **Renegotiating with the seller** - (if issues arise with the home inspection or appraisal) getting the seller to cover costs of repairs or come down in purchase price if needed

As you can probably tell, a realtor has a LOT of work to do in helping you score your dream home. That's why an effective realtor will have the following traits:

- ☑ Exceptional communication, listening & people skills
- ☑ Extremely market savvy
- ☑ Well-connected in your community & has a great reputation

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

- ☑ Expert in the area where you want to live
- ☑ 5 -10+ years of experience
- ☑ You enjoy working with them!

When it comes to choosing the RIGHT realtor for you, here are some tips for making that decision:

- ☑ **Work with a BUYER'S agent - not the seller's agent.** It's best to work with a buyer's agent who will advocate for YOU, the buyer.
- ☑ **Interview a few different agents before deciding.** It's recommended that you talk to at least 3 realtors before choosing the one you want to work with.
- ☑ **Take note of which agents are active in the location(s) where you're looking to live.** If you drive around your dream neighborhood and see a realtor's name on multiple signs, you might want to give them a call (because you know that agent is active in the area).
- ☑ **Look into their years of experience.** How long have they been working in your local market?
- ☑ **Research their reviews.** What's their reputation? How many other people have they helped buy a home? Did their previous clients have a great experience?
- ☑ **Determine if they're a full-time professional.** A full-time professional agent is likely going to be more committed to getting the job done. You may want to avoid a realtor who's just doing this as a side hustle.
- ☑ **Ask your mortgage advisor for recommendations.** Mortgage advisors work hand-in-hand with realtors, meaning they have a behind-the-scenes look at who the best realtors are in your market.

There's a good chance your Hero Home Programs mortgage advisor knows a top-notch realtor in your area, so don't hesitate to ask for recommendations!

*Want to connect with a Hero Home Programs advisor who can get you a competitive edge in your local market? **CLICK HERE** to get started!*

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Transaction Fee & The Buyer's Contract

Real estate agents are usually paid their commissions by the seller. However, they might charge you a transaction fee as well, which could cost around $400 to $500, although it is negotiable. Before signing a contract with a realtor, ask about their transaction fee and how it should be paid.

Once you decide on a realtor, you will likely sign a contract committing to let them represent you when buying a house. This means that you can't go off and buy a house without using their services.

The contract you sign will be valid for a set time period. If possible, it's best to **avoid a long-term contract with the realtor (no more than 30-60 days max)**. Here's why:

Let's say you go with a 30-day buyer's contract, then if 30 days has passed and the realtor hasn't performed like you hoped, then you can go with someone else. However, if by the end of that 30 days, your realtor has proven to do a great job, then you can extend the agreement.

PIT STOP TIP! Questions To Ask Your Realtor Before Signing A Contract

- ☑ How long have you been in business?
- ☑ What neighborhoods have you worked in?
- ☑ Do you charge a transaction fee? If so, how much and how is it paid?
- ☑ What kind of market are we in right now?
- ☑ What's the best strategy for getting the house we want in this market?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 4

HOUSE SHOPPING

- **How do I prepare** for the home search?
- What are the **main factors** that I'll need to consider when house hunting?
- What are some **tips to help me** with these decisions?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

After you choose a realtor, they should start sending you some listings online, and from there you can decide which properties you want to view in person.

The home search can be overwhelming at times, but a great real estate agent should really be holding your hand throughout this process.

As you narrow down your home search, you'll constantly be weighing the pros and cons of different properties. Honestly, there's so much cost-benefit analysis that goes into home shopping...it'll make your head spin.

Here are some examples of what you'll have to consider:

- ✔ "This home's a bit of a fixer upper, but the asking price is more in my budget..."
- ✔ "This one's pricier, but I won't have to spend a lot of money on renovations..."
- ✔ "This home is move-in ready, no updates needed, AND it's well within my budget, but the location is a 6 out of 10..."

And so on, and so on, and so on!

Narrowing down your home search is a looooooong process with countless factors to consider, so get ready to make some not-so-simple decisions.

Here are some tips to help you:

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Make 2 Home Wish Lists: Must-Haves & Nice-To-Haves

Make a list of everything you absolutely NEED in a home, then make a separate list of all the features that you WANT in a home.

The first item on your “Must-Haves 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 writing out your “Must-Haves” and “Nice-To-Haves” wish lists, go over these lists with your real estate agent. Your realtor should be able to give you feedback and let you know whether your wish lists are within reach.

Drive Around Prospective Homes During The Day AND At Night

As you start to hone in on potential dream homes, you may want to drive around these properties during the day and at nighttime.

This extra bit of recon will give you a better feel for the location, what your commute will be like, the noise level and neighborhood activities at different times of the day, and just an overall visual to help you decide if you can actually picture yourself living in that area.

Buy With Selling In Mind

Your home is an investment in your future. As the house appreciates in value over time, this can help you build equity, which gives you more financial leverage down the road.

Whether or not you decide to sell your home in the future, you still want to think about what the projected property value of this home will be 5-20+ years from now.

The number one factor that will affect your home’s future property value is the LOCATION.

When it comes to choosing a location, remember that the worst house in a great neighborhood is almost always better than the best house in a bad neighborhood.

Another tip to keep in mind, the biggest or most expensive house on the block will likely be the hardest to sell. People who can afford a $500,000+ home are looking at the higher-end neighborhoods where $500,000 homes are more common.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

But if the houses in a neighborhood are selling for $450,000, and there's one that's listed at $350,000, then you may want to check out that one. Even if that lower-priced house needs extra work, the cost of renovations may be well worth it if it's in a great neighborhood.

Check Out School Districts, HOA Rules, Crime Rates, And Market Predictions

If the house is in a homeowners association (HOA), find out what the HOA restrictions are and decide if you can live with those. Examples of HOA rules include: parking restrictions, pet limits, home maintenance standards, noise complaints, rules for holiday decorations, etc.

Even if you don't have kids, it's a wise decision to choose a location that has a great school district. In addition to the school district, look into the local crime rates. You should also take notice if the home is in a flood zone, next to a highway, or near a railroad.

Look at market predictions in that area. Try to determine if that neighborhood is declining, or if the school districts are shrinking or going down in quality, because this could be a bad omen as to the future property values of the neighborhood. However, if the house prices in that area have been steadily rising over the years, that could be a good sign.

Be On The Lookout For Things You Hate

At this point, you might be extremely eager to fall in love with a home. And while house hunting can be fun and exciting, you shouldn't let all those positive emotions get the best of you.

When you fall in love with a house, try to "prove yourself wrong" by finding features you don't like. The more nitpicky you have to be in finding those dislikes, the greater the evidence that this might be the right home for you!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Make A List Of What You'd Want To Change Immediately VS Which Updates Can Wait

The closer you get to choosing your dream home, the more you'll start thinking about your budget as far as moving in and getting new furniture. Not to mention, if you go with a fixer upper, then you might plan on renovating.

If you're thinking about renovating, then you may want to write a list of which updates you'd want to change ASAP versus which updates can wait.

For instance, let's say you find a perfect home in a great location that's within your budget, but the kitchen is a bit outdated and needs some new appliances.

Ask yourself, do you absolutely HAVE to replace those appliances right after moving in? Or, can you wait a few months or even a year to budget for a new oven and dishwasher?

Be honest with yourself here. Thinking long and hard about potential updates in the future can help you gauge your budget and decide which home is ACTUALLY best for you.

See If Your Realtor Can Act As A Private Investigator On Your Behalf

As you're shopping for homes, see if your realtor can get some valuable info for you, as this can put you at a major advantage as a buyer.

Here are some questions that your realtor might be able to find answers to:

- ☑ How long has the seller lived in the house? (If they just recently bought the house 2 years ago, that could be a red flag.)
- ☑ How much did the seller pay for the house?
- ☑ Why does the seller want to move?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

PIT STOP TIP! Loan Estimate & Closing Disclosures

Once you select a property that you'd like to purchase, then your mortgage advisor will be able to take all the information they gathered during the pre-approval stage, and from there they will write up your Loan Estimate.

Your Loan Estimate is a form that breaks down the estimated costs of closing, the lifetime costs of your loan, as well as your monthly mortgage payments.

The purpose of the Loan Estimate is so that you "Know Before You Owe." In other words, knowing what all the costs are ahead of time, before you take on a mortgage and buy your home.

But what about the Closing Disclosures?

Think of your Closing Disclosures as an EXTREMELY detailed, finalized version of your Loan Estimate. (Your Loan Estimate is like a third or fourth draft of a novel, whereas the Closing Disclosures are like the final manuscript that gets sent off to publication.)

You should receive your Closing Disclosures at least 3 days before Closing Day. These will break down the final loan terms, closing costs, monthly payments, and lifetime costs of your home purchase.

*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!*

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 5

MAKE AN OFFER, SELLER ACCEPTS, EARNEST MONEY DEPOSIT

- Who's going to help me **put an offer** together?
- How to tell if I'm in a **buyer's market** or a **seller's market**?
- What are **offer contingencies** and why are they important?
- What's an **earnest money deposit**? How much is it?
- What items are included in the **offer contract**?
- What do I need to know about **locking in my interest rate**?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

You've narrowed down your search and found a home you love! Time to put down an offer.

You'll want to determine whether you are in a buyer's market or a "hot" seller's market, as this factor impacts your strategy for putting down offers.

Ask your realtor what type of market you're currently in, and find out how long the houses are listed before they sell. The longer the houses are listed, the greater indication that you're in a buyer's market.

Navigating A Seller's Market

If you're in a "hot" seller's market, you'll be competing more with other buyers. This means that the seller has more leverage, and you're more likely to have other buyers outbid you on a house.

If you find yourself shopping for homes in a hot market, make sure you go into this with the proper expectations - and you may want to mentally prepare yourself for a bit of an emotional rollercoaster here.

It can be pretty disappointing to fall in love with a home, just to get outbid by another buyer, but don't let one setback knock the wind out of your sails completely!

Remember, things happen for a reason. You'd be surprised how often people lose out on their "dream home" just to find another house that's even better than the first!

Who's going to help me put an offer together?

The offer contract is the agreement you and the seller have to cover the purchase price, down payment, and any contingencies included in the offer.

As mentioned earlier, your realtor should help you with putting an offer down on a home. (Again, they should really be holding your hand throughout this process.)

Your realtor should 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.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Ask your realtor if there are any other offers on the house before you write yours up. **If it's a hot market, you may have to move a bit faster** in putting your offer together so you don't give another buyer a chance to swoop in.

After you put an offer down on a home, sellers typically will have 24 hours to respond, either accepting the terms, rejecting your offer, or countering.

Remember that the offer is legally binding. Once the seller accepts, you can't change it.

What are offer contingencies and why are they important?

Your offer should include certain contingencies to have you covered.

Offer contingencies are requirements that must be met or else the contract is void. The 3 most common contingencies are the Mortgage or Financing Contingency, Home Inspection Contingency, and the Appraisal Contingency.

The **Mortgage** or **Financing Contingency** just means that you must be able to get the final approval on your home loan in order to buy the property.

With the **Home Inspection Contingency**, if the house fails the home inspection, then this allows you to back out of the deal.

Next up is the **Appraisal Contingency**.

Later on, when your mortgage lender orders a home appraisal, if that appraisal comes back lower than expected, and there are no other solutions for this, then that Appraisal Contingency allows you to back out of the deal without losing your earnest money deposit.

Is a low appraisal a total dealbreaker?

Not necessarily! In the event that the home appraisal comes back lower than expected, there are a couple different options to help resolve this bump in the road. (We'll actually break down these solutions later on in Step 7!)

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

What's an earnest money deposit? How much is it?

When the seller accepts your offer, the next step is to collect your earnest money deposit.

The earnest money deposit is a sum of money you put down to show to the seller that you are serious about buying the property. This commitment allows the seller to take the house off the market.

Before putting down that earnest money, talk to your realtor how it will be handled, and in what scenarios could you potentially lose it.

Traditionally, the earnest money deposit is around 1-2% of the purchase price (potentially lower or higher depending on your agreement with the seller).

However, that 1-2% price is not set in stone. Some experts suggest that you should keep the earnest money amount as small as possible, so in the event that you lose it, it won't sting too much.

As far as earnest money goes, you want to pay just enough for the seller to take you seriously. Theoretically, you could put down as little as $500 on a $500,000 house, as long as the seller accepts that amount.

Once you close on the home, that earnest money will typically be credited back to you as part of your closing costs.

But in the event that the deal falls through (again let's say the house fails the home inspection), if you have the right contingency in your offer, then this means that you can back out of the deal without losing your earnest money deposit.

Once you put down the earnest money deposit, depending on how your negotiations with the seller go, you might have an agreed upon time window that's also known as the Option Period.

This Option Period will give you around 5-10 days to inspect the house and decide whether you want to move forward.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Offer Time Limit, Closing Date, Date Of Possession

The offer time limit just means how long is your offer good. In other words, how long does the seller have to either accept, reject, or counter your offer.

You don't want to give the seller too much time to think about it. It's recommended that you give the seller no more than 24 hours to reply, because the more time the seller has to compare your offer to others, the more leverage they have when negotiating with you.

The offer should also specify a closing date. In some cases, people will want to rush and close within 3 weeks. The problem here is that you still have to order a home inspection, the appraisal, and work with your mortgage advisor to get final approval on the loan.

Scrambling to complete all these steps before closing can create issues and room for error. Generally, it may be better to **choose a closing date around 4-6 weeks after the contract is signed**.

Another item in the contract is when you take possession of the home. Typically, you want the **date of possession to be the exact same as the closing date**. Otherwise, there could be a gap inbetween the time that you close and when you actually get to start moving into your new home.

Locking In Your Interest Rate

Typically, you can't lock in your rate until you have a house under contract, meaning the offer contract has been signed.

Some homebuyers choose to lock in their rate as soon as they go under contract, while others wait a little bit and lock in closer to closing day.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

If you lock and the market rates go down, then you miss out on a lower rate. On the flip side, if you lock and the market rates go up, then you just protected yourself from paying more in interest.

As you can see, there's a bit of a gamble here in deciding when to lock in your interest rate. **Ask your mortgage advisor for guidance on this.**

If you choose NOT to lock your rate immediately upon going under contract, stay in close contact with your mortgage advisor, as they may have some insider market insights to give you a heads up of when it's time to lock.

Preparing For The Move

Once the offer contract is signed, it's a good idea to start preparing for the move ahead of time.

Start arranging for your transfer of utilities, research moving companies, gather packing supplies, recruit friends who can help you, and get rid of extra clutter you don't need (nothing makes you more of a "minimalist" than having to pack up all your stuff and move!).

PIT STOP TIP! What items are included in the offer contract?

- Offer price
- Earnest money
- Contingencies
- Closing date
- The closing or title company
- Closing location
- Request for possession at time of closing

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 6

HOME INSPECTION

- How **can I prepare** for the home inspection, and **how much does it cost**?
- What does the home inspector look for?
- What are some **additional inspections** I may need?
- What happens if the home inspection **uncovers problems** with the property?
- What are the **next steps** after the home inspection?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

It's highly recommended that you have the home inspected BEFORE you order the appraisal. Having a great home inspection done beforehand can help you avoid a great deal of headaches later on down the road.

Some people choose to waive the home inspection, but we highly recommend against this, as waiving the home inspection can be extremely risky.

There could be major issues with the property that you just can't see, and fixing these later on could cost a LOT of money and time on your end. Keep in mind that the older the home, the more crucial the home inspection.

How can I prepare for the home inspection, and how much does it cost?

You will likely need to pay for the home inspection, which could cost around $400 or more depending on your market.

And even if you're just starting off in the home buying process, it may be a good idea to start looking around for reputable home inspectors ahead of time.

Research their reviews, make sure you choose a home inspector you trust, because you definitely want the home inspection to be thorough so that no major issues get overlooked.

Also, a lot of homebuyers choose to attend the home inspection and ask questions. This can provide some valuable insights for you, because the more you know about any potential issues with the property, the better!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

What does a home inspector look for?

The home inspector will typically look for any problems with:

- ☑ The home's foundation or structure
- ☑ Heating, cooling, and ventilation systems
- ☑ Roof, gutters, and downspouts
- ☑ Walls, ceilings, and floors
- ☑ Plumbing
- ☑ Electrical systems
- ☑ Attic and/or basement
- ☑ Windows and doors
- ☑ Safety concerns

The inspection itself will take a couple hours to complete. And then your home inspector will write up a report that will list out any minor (or major) issues with the home.

What are some additional inspections I may need?

The home inspector is a generalist looking at the overall "health" of the property. If home inspectors were doctors, they'd be general practitioners - NOT a medical specialist.

If there happens to be any indication of safety concerns like termites, mold, radon, or lead, then you may need a specialist to come in and inspect the home further.

In fact, if you're in an area prone to termites, you might want to get a **termite inspection** as well. These are typically around $75 and can save you a lot of money and headache in the long run.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Another big one is the **sewer inspection**. In some states, the homeowner is responsible for the sewer pipe from the house all the way up to the middle of the street.

In this case, it's highly recommended you get a sewer inspection done, as fixing a broken sewer pipe can be pretty expensive (around $7000!) if it gets missed.

Now let's say you do order a sewer inspection and it comes back needing a pricey fix...

If you have that inspection done ahead of time BEFORE buying the home, this **gives you the chance to ask the seller to pay for all or part of those repairs**. That's why having those extra inspections done before closing can save you a lot of money and stress in the long run.

What if the home inspection reveals a lot of problems with the home?

A home inspection will probably uncover dozens of problems with the home, but don't worry! A lot of these problems will likely be minor issues that end up being an easy fix.

However, other problems can be more severe. Structural or safety issues may be more difficult to repair. For any red flags that appear in the report, it's best to talk to your real estate agent to figure out the best way to move forward.

That's why it's important to include a Home Inspection Contingency in your offer. In the event that the house fails the home inspection, you can walk away from the deal without losing your earnest money deposit.

What are the next steps after the home inspection?

As long as the report doesn't uncover any major red flags, the home buying process should continue on as planned.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

But after receiving that home inspection report, your realtor can help renegotiate with the seller on pricing, or the seller may agree to pay for the costs of repairs.

When it comes to asking the seller to pay for repairs, sometimes you have to pick and choose your battles here. In a hot market, you may not want to be as nitpicky in asking the seller to fix every last detail that's wrong with the house.

Also, if the seller is replacing certain appliances or fixtures, they'll probably just choose the cheapest option - not the appliance/fixture you would have picked out yourself.

Why should I hold onto the home inspection report for the future?

That home inspection report will provide you with valuable information about the home - and again, the more you know about the property, the better.

In fact, after closing, you can even use the home inspection report as a guide to help you determine what repairs or replacements to make in the future.

For example, if the home inspector noted that the windows or doors are letting in a slight draft, you may consider sealing these up before the colder months to keep your home warmer and more energy efficient.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 7

HOME APPRAISAL

- Why do lenders **require property appraisals** before closing?
- **How much** does the appraisal cost?
- What does the appraiser **look for**?
- What happens if the appraisal **comes back lower** than expected?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Why do lenders require property appraisals before closing?

After the home inspection, your mortgage lender will request a property appraisal of your new home. The reason lenders need property appraisals is to protect the money they lend you to buy your home.

Because this home is going to be your collateral for your mortgage loan, lenders want to ensure that the loan amount does not exceed the home's appraised value. Meaning the home's appraised value needs to be high enough to justify the purchase price or loan amount.

How much does the appraisal cost?

The appraisal will cost around $350 to $500 or more depending on your market. In some cases, the seller may agree to pay for the appraisal.

What does the appraiser look for?

Appraisers will be looking at the overall condition of the home and checking for obvious issues that could diminish the home's value.

However, a lot of people make the mistake of thinking that minor cosmetic details have a big impact on the appraiser's valuation. But the reality is that appraisers aren't as focused on home features that are easy to change.

Think of the characteristics of a home that are more long-term and difficult to change. For example:

- Location
- Neighborhood amenities
- Property age
- Square footage
- Number of bedrooms/bathrooms

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

These factors are more fundamental to estimating the property value, and make a bigger difference on the appraisal than features such as crown molding, paint, or even kitchen appliances.

In addition to the factors listed above, the appraiser will also likely compare similar properties that have sold in that same area within the last year to determine what your new home's appraised value would be.

What if the appraisal comes back much lower than expected?

Ideally, at the very get-go, the estimated property value was accurate, the asking price was fair, and everything matches up with what comes up on the appraisal.

But a potential hiccup here is if the home's appraised value is not high enough to justify the purchase price or loan amount.

In that case, the lender may not be able to fully approve your home loan, which could delay closing, but it's not necessarily a deal breaker.

Keep in mind, your mortgage advisor and your realtor should be well-versed in the appraisal process.

They should be well aware of this potential hurdle, so if the appraisal does come back lower than expected, they should be able to work with you to find a solution.

For example:

You and your realtor can renegotiate with the seller. Your realtor can ask the seller 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.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

This might happen if the lender thinks that the first appraisal missed some important details and should reconsider additional factors there. In that case, ordering a new appraisal might make sense in that situation.

But again, this is why you should talk to your realtor about including an Appraisal Contingency in your offer.

If this appraisal is a total dealbreaker that prevents you from closing on your home, then with that Appraisal Contingency, you can back out of the deal without losing your earnest money.

PIT STOP TIP! Securing Homeowners Insurance

You're likely going to need homeowners insurance and have that proof of homeowners insurance in hand before closing on your home.

As you're shopping around for different insurance policies, it's probably a good idea to read each policy beforehand so you know exactly what IS and what IS NOT covered. (Also some people choose to bundle the home and auto insurance policies to save money, so keep that option in mind.)

There are different types of insurance policies that you may need. For instance, there are certain types of homeowners personal liability coverage that have you covered in the event that someone falls or gets injured on your property.

And in addition to liability insurance, there's also hazard insurance that covers certain "hazards" such as fire, hail, lightning, wind, falling objects, or burglary.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

You may have to obtain additional forms of hazard insurance depending on your location. (Example: If you are in a flood zone, you will likely be required to have a separate flood insurance policy added to your hazard insurance.)

Here's a tip for choosing your hazard insurance policy: Learn about the local hazards or risks in your new neighborhood. Reach out to your new neighbors and ask them about problems or hazards they've seen over the years.

Besides the more obvious hazards, your new neighbors may give you some unexpected (and valuable) insights to help you shop around for insurance policies!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 8
UNDERWRITING

- What **do I need to know** about underwriting?
- What are the "**4 C's of Underwriting**"?
- Why should I maintain **close contact** with my mortgage advisor during this step?
- What do I need to know about the **final document collection**?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Once your new home has passed the appraisal, now it's time for your mortgage advisor and their underwriter to push you along toward final approval and closing!

What do I need to know about underwriting?

At this step, your mortgage advisor will take your file (which includes your mortgage application, the required documents, all the information that you provided when you were getting pre-approved), and they will then turn that file over to an underwriter.

The underwriter has the final say in whether or not you get approved for your loan.

Think of your mortgage advisor as your lawyer. They're making a case for you as to why you deserve to be approved for the loan.

But the underwriter is like the judge or the jury. Meaning they are purely objective, they're just looking at the facts and figures to verify that you do have everything you need to qualify for the mortgage.

What are the "4 C's of Underwriting"?

When a lender and the underwriter are evaluating whether or not you can get approved for a home loan, they will be looking at your "ability to repay."

Ability to repay just means that you're not too "risky" of a borrower, and you're in good enough financial standing to prove that you will eventually be able to pay off the mortgage.

The less risky you appear as a borrower, the more likely you are to get approved for a better rate with more favorable loan terms.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

So how do lenders/underwriters measure your ability to repay?

They use something called “The 4 C’s Of Underwriting”:

- **Credit** refers to your credit score and your past history of paying off debt.
- **Capital** is your cash on hand, IE the closing costs and any down payment you can bring to the table.
- **Collateral** is the property value of the home you’re looking to purchase.
- **Capacity** is your overall ability to repay (looking at factors such as your income and whether that income is stable and likely to continue).

Think of these 4 C’s as 4 legs of a chair.

If you’re missing one of the 4 C’s, but the other 3 C’s are really strong, then the chair may still be able to stand - meaning you may still be able to get approved for a loan.

That’s why it’s important not to disqualify yourself without speaking to a mortgage advisor beforehand.

You may think that there’s something holding you back from getting approved, but it’s possible that the other 3 C’s of your chair are strong enough to get you into a home!

For more personalized guidance on this, ***CLICK HERE*** *to connect with a Hero Home Programs advisor who can help!*

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

What do I need to know about the final document collection?

Your mortgage advisor should fill you in on the exact documents you'll need to provide before closing.

For example, they will probably need updated pay stubs and bank statements from you, as well as a Verification of Employment (VOE) form proving that you still have stable employment.

Your money for the down payment will also need to be verified before closing, because your mortgage advisor needs to prove that your down payment is coming from a legitimate source.

If you're using gift funds for down payment (these are permitted on FHA loans), then you will need to provide a gift letter verifying those funds.

PIT STOP TIP! Red Flags In Underwriting

When the underwriter is closely reviewing your file, they'll be on the lookout for any red flags that might hurt your chances of getting that final approval to close on your home.

Here are some financial red flags to avoid:

- ☑ Sudden large purchase or racking up excessive debt
- ☑ A recent drop in your credit score
- ☑ Large deposit in your bank account from an unknown source

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

- ☑ Unexplained change in your income
- ☑ Incomplete or incorrect documentation
- ☑ Errors/missing information on your loan application

Why should I maintain close contact with my mortgage advisor during this step?

You'll want to stay in touch with your mortgage advisor, because they may need you to quickly provide some last-minute documents before they can move you ahead toward final approval.

A lot of people don't know that it's extremely important to work with an *experienced* mortgage advisor, someone who really understands the underwriting process (IE what could possibly go wrong and how to avoid those mishaps).

When it comes to getting that final approval before closing, one careless error could cause the entire deal to fall through. But a great mortgage advisor ensures nothing gets overlooked, so that everything keeps running smoothly until Closing Day.

Whoever you choose to work with, make sure they know what they're doing and don't haphazardly rush through your approval. *If you'd like to connect with an experienced Hero Home Programs accredited advisor in your local area, click here.*

Once the underwriter verifies everything and gives you the green light, then you'll move onto Clear To Close!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 9

CLEAR TO CLOSE

- Getting ready for **Closing Day**
- **What do I need to bring** to Closing Day?
- Who's going to **prepare** me for the Closing Day meeting?
- What is **title insurance** and why do I need it?
- What are **prepaids**? What does "**per diem interest**" mean?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

This is the time leading up to Closing Day when everything is getting finalized and prepared before that final Closing Day meeting.

Your mortgage advisor is going to be wrapping everything up behind the scenes, working with the underwriter, making sure nothing falls through at closing.

In the few days leading up to closing, don't leave town! If your mortgage advisor calls you, please don't ghost them! They may need something from you at the last minute to keep everything running smoothly to the finish line.

Also, it's a good idea to **schedule a closing near the beginning of the week if you can**. (If you close on a Friday and something goes wrong, then offices will be closed and you may have to wait until Monday to resolve the issue.)

If you haven't already locked in your interest rate by now, **you will need to lock in your rate** roughly a week before closing or sooner.

What do I need to bring to Closing Day?

Your mortgage advisor and/or realtor should tell you exactly what you need to bring to Closing Day. For example, you'll probably need to provide the following:

- ☑ Photo ID
- ☑ Proof of Homeowners Insurance
- ☑ Copy of the Purchase Agreement
- ☑ Cashier's Check or Wire Transfer (for down payment & closing costs)

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Who's going to prepare me for the Closing Day meeting?

Your mortgage advisor and/or realtor should prep you on what to expect. For instance:

What's that Closing Day meeting going to be like?
What documents do I need to bring?
Where are we meeting?
Who exactly is going to be in the room?
How's the final transaction going to go down?

Those Closing Day meetings can look a lot different just depending on your state and on the specific transaction. For example, your closing may be handled either by a title company (which is more common) or an attorney.

Your mortgage advisor and/or realtor should let you know what to expect as far as that meeting goes.

What is title insurance and why do I need it?

Title insurance protects you in the event that there are any liens or debts against the property.

For example, if a contractor did some work on the home a few years ago and never got paid by the previous owner, you can be held liable for this if you don't have title insurance.

You definitely don't want to be liable for any debts or liens against your property, as this can interfere with your legal ownership of the home.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

What are prepaids? What does “per diem interest” mean?

There are some fees you’ll need to prepay ahead of time in order to close on a home. The main ones being homeowners insurance and taxes.

As part of your closing costs, you may need to prepay your first year of homeowners insurance fees, as well as at least 2 months of property taxes, in order to get approved for closing.

You may also have something that’s called “per diem interest” as part of your prepaids.

Depending on what day of the month you close on the home, you might have interest charges accrue from the closing date up until when your first mortgage payment is due.

For instance, if you close on January 15th. Your first mortgage payment isn’t due until March 1st. Now that first mortgage bill is going to charge you interest for the month of February. But what about that 2 week period between January 15th up until February 1st?

That initial 2 week gap is going to accrue interest charges. In that example, you would have to prepay that 17 days of interest (January 15th - January 31st) ahead of time at closing as part of your prepaids.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

STEP 10

CLOSING DAY

- **What to expect** on Closing Day
- Why is a **final walk through** a good idea?
- How will I pay the **down payment** and **closing costs**?
- When will my first mortgage payment be **due**?

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

What should I expect on Closing Day? How will I pay the down payment and closing costs?

On Closing Day, you'll meet with your realtor and likely a closing attorney or the title company.

They'll go over your finalized Closing Disclosures with you along with a big stack of documents for you to sign.

You may choose to do a **final walk through** of the home before signing. This isn't a bad idea, as that final walk through allows you to check and make sure the seller removed their belongings and fixed everything they agreed to in the contract.

If there are any issues or discrepancies during the walk through, it'll be a lot harder to resolve these after closing once the seller has gotten their money.

You'll pay the closing costs and down payment either in the form of a **cashier's check or a wire transfer** (as those are the only two forms of payment that are typically accepted for these costs).

It's highly recommended you go with a cashier's check if possible. A wire transfer can be pretty risky, because once you wire that money, it's gone. When wiring money, triple check that you have the correct wiring instructions so you know it's going to the right place.

After you pay the closing costs and everything is signed, the **deed will be transferred to your name**. This deed shows that you have clear title to the property and the house is all yours.

Once all is said and done, you'll receive the keys to your new home!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

PIT STOP TIP! Look Out For Wire Fraud Scams!!

If you choose to do a wire transfer when paying the down payment and closing costs, make sure that you DO NOT wire over the money until speaking directly with your mortgage advisor beforehand.

Unfortunately, there have been some instances of wire fraud in the past, so you want to be extra careful to avoid those scams.

If you happen to get a call before Closing Day and someone you don't know reaches out to you and says, "Hey we need you to wire this down payment to us before closing," that could potentially be a scam just FYI - so be on the lookout!

When will my first mortgage payment be due?

After closing, you have a 30 day time window, and then your next payment will be due on the first of the month AFTER that 30 day time window.

For example, let's say you close on your mortgage February 15th. In that case, your first mortgage payment will NOT be due on March 1st. It would actually be due April 1st.

And that my friend, is the entire home buying process from start to finish!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

PIT STOP TIP! What To Expect On Your Monthly Mortgage Bill

Your monthly mortgage statement consists of 5 main parts: Principal, Interest, Taxes, Insurance, Association Fees (or “PITIA” for short).

- **Principal** is the portion of your mortgage payment that goes toward paying off your home’s loan amount.
- **Interest** is the additional amount of money you pay in exchange for receiving the home loan. The higher your interest rate, the higher your monthly interest payment.
- **Taxes** refers to real estate taxes, which are also known as property taxes.
- **Insurance** refers to both homeowners insurance and (if applicable) mortgage insurance.
- **Association Fees** may apply to you if you live in an HOA or gated community. However, these dues will be paid directly to the homeowners association and may not be listed on your mortgage bill.

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

CONGRATULATIONS ON COMPLETING THIS **ULTIMATE GUIDE TO HOMEOWNERSHIP**

Hey friend, will you please do us a favor and GIVE YOURSELF SOME MASSIVE PROPS right now for completing this guide!!!

You just learned a TON of helpful info that's going to make buying a home so much easier and less stressful.

It's been a wonderful ride with you so far, and we are beyond thrilled for you to create an awesome future for yourself.

Just remember that whatever comes up on the journey ahead...

YOU GOT THIS!!!

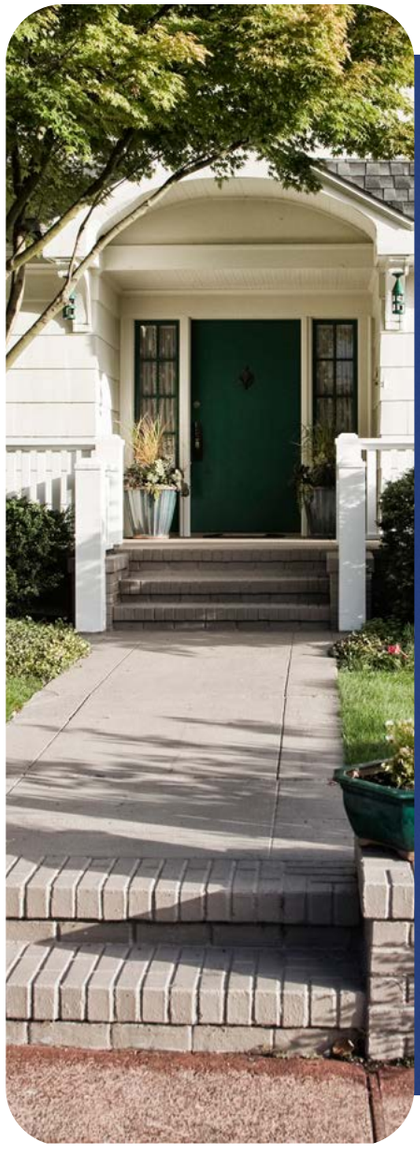
Cheers and best wishes,

The Hero Home Programs

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

Ready To Take The Next Step Toward Homeownership?

Schedule Your **FREE** Homebuyer Benefits Call Today!



On this call, you'll connect with a Hero Home Programs accredited mortgage advisor in your local area.

They'll consult with you, learn more about your unique homeownership goals, and ask some basic questions to see how they can help you.

From there, your Hero Home Programs mortgage advisor will be happy to do the research for you and help match you to the best local grants, programs, and benefits available to you!

Definitely don't want you to miss out on any hidden benefits that are available, as these could help you save hundreds - if not thousands - on your home purchase!

Ready to see how much YOU can save?

CLICK HERE To Book Your Call Today!

© COPYRIGHT 2023 HERO HOMEBUYER PROGRAMS™

The HERO™
HOMEBUYER PROGRAMS

Helping Everyone Reach **Ownership**

DISCLAIMER: This guide is not an offer to lend and should not be used directly to make decisions on home offers, purchasing decisions, or loan selections. This guide is for general, educational purposes only and does not constitute personalized financial advice. Not guaranteed to provide accurate results, imply lending terms, qualification amounts, or real estate advice. The Hero Homebuyer Programs™ is not affiliated with any government agency. For our full disclaimer regarding all resources published by The Hero Homebuyer Programs™ , click here.