



**Lesson Five**

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Buying a Home



Buying a home is easier than you might think – we'll walk you through the five basic steps.

## **phase 1: determine home-ownership needs**

- What type of housing should I buy?
- How much can I afford to spend?

## **phase 2: locate and evaluate a home**

- Where do I want to live?
- What aspects of the home need improvement?

## **phase 3: price the property**

- What is an appropriate market price?
- How much negotiation movement exists?

## **phase 4: obtain financing**

- How much down payment is available?
- What are current mortgage rates?
- Can I qualify for a mortgage?
- What type of mortgage should I get?

## **phase 5: close the purchase transaction**

- What funds and documents will be needed for the closing?
- Is everything understood before the final signing?



## qualifying for a mortgage

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- Determine the estimated value of the home you would like to purchase.
- Obtain funds for a down payment from savings or through gifts or loans from family members.
- Reduce other debts or improve your credit record, if necessary.
- Compare fees, services, and mortgage rates for different lenders.
- Prepare the mortgage application.

### **your mortgage acceptance will be based on your credit record.**

The amount of the mortgage for which you qualify will be influenced by:

- Your income
- The amount available for a down payment
- Current mortgage rates



# types of mortgages

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## **fixed-rate, fixed-payment mortgages:**

- Conventional 30-year mortgage
- Conventional 15- or 20-year mortgage
- FHA/VA fixed-rate mortgage
- “Balloon” loan (3-10 year terms)

## **adjustable-rate, variable payments:**

- Adjustable-rate mortgage (ARM)
- Graduated-payment mortgage
- Growing-equity mortgage

## **other financing methods:**

- Buydowns
- Shared-appreciation mortgage (SAM)
- Second-mortgage (home equity loan)
- Reverse mortgage
- Refinancing



## **closing costs**

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**at the real estate transaction settlement, commonly referred to as the “closing” the following are some of the costs that are typically incurred by a person buying a home:**

- Title search fee (\$100-\$200)
- Title insurance (\$300-\$2,000)
- Attorney fees (\$200-\$750)
- Appraisal fee (\$300-\$500)
- Recording fees and transfer taxes (\$50-\$200)
- Credit report (\$25-\$50)
- Termite inspection (\$50-\$150)
- Lender’s origination fee (1-3% of loan amount)
- Reserves for home insurance and property taxes (amount varies)
- Interest paid in advance (if applicable)



## **before putting your home on the market, make any preparations that could increase appeal and market value**

- Make necessary repairs
- Paint exterior and interior areas
- Update various features (such as new carpeting or plumbing fixtures)

## **determine the selling price, based on:**

- An appraisal to estimate current market value
- The location, features, and age of the home
- Current mortgage rates and market demand in your area

## **decide if you will do a "sale by owner"**

- Advertise your home in various media (e.g., newspapers, internet, flyers)
- Be ready to meet and show your home to prospective buyers
- Make use of the services of a lawyer and/or title company for the legal aspects

## **consider using the services of a real estate agent**

- Interview two or more agents to compare their services and experience
- Expect the agent to provide a marketing plan and to handle the financial and legal aspects of the sale
- Communicate with the agent on a regular basis regarding the selling price and prospective buyers