

The Home Buying Process



Questions to Ask Yourself

There are great advantages to owning a house, financially and emotionally. But there are also a lot of responsibilities: repairs, taxes, insurance and utilities. Weighing these against the advantages helps make the decision more clear.

Rent or Buy?	Yes	No	Not Sure
I want a house that's mine without restrictions from a landlord. <i>Renting may restrict the changes you can make—sometimes you can't even repaint the walls.</i>			
I understand I'll have to pay for repairs and upkeep. <i>If the toilet stops working in a rental, you call the landlord. When it's your house, you pay for the plumber or do the work yourself.</i>			
I understand I'll have to pay for property taxes, insurance, utilities and homeowners association fees (if any). <i>Property taxes, insurance and utilities add up quickly.</i>			
I understand the value of my house may decrease. <i>While your house could go up in value, it can also go down, depending on the housing market.</i>			
I have a stable income and an established fund for emergencies. <i>If there's a chance you could be laid off or if you foresee a job change in the near future, buying may not be the right choice for you.</i>			
I plan to stay in the same area for the next five years. <i>Life is unpredictable, but it might not be a good idea to invest in a property if you know you might have to move due to work, family, school, etc.</i>			
I've talked to an accountant or tax professional to see if I can benefit from the tax deduction on mortgage interest.			
Checkpoint: Am I better off buying than renting?			

Credit Check: Do you know your credit score and what's on your credit report? You'll want to make sure everything is in order before you begin the homebuying process. You can check your credit report for FREE from each of the three credit bureaus (*Equifax, Experian or TransUnion*) at **AnnualCreditReport.com**.

Members of Fitzsimons Credit Union can always check their credit score and TransUnion credit report for FREE on the Online Banking Platform and on the Fitzsimons Mobile app.

Homeownership Expenses

Complete the chart below to estimate your homeownership costs

Part 1: Cash for one-time fees	Typical Range	Your estimated costs
Your down payment (<i>Flip to pg. 7 for info</i>)	5% – 20% of cost of house	\$ _____
Home appraisal A professional analysis of the market value of the property.	\$200-\$700	\$ _____
Home inspection A detailed report on the condition of the house, highlighting any significant problems that might affect the property's value. <i>(Flip to pg. 11 for details)</i>	\$200 - \$1,000	\$ _____
Origination fees Fees assessed by the bank to cover the processing of the loan and administrative costs.	0.5% - 2% of loan amount	\$ _____
Closing costs Bank fees and third-party vendor fees that may include, but are not limited to: attorney fees, settlement fees, title insurance, recording fees and appraisal fees.	2% - 6% of cost of house	\$ _____
Earnest Money Given when you place an offer on the home. Money is deposited with a third party when the house goes under contract. Earnest money is credited back to you at the time of closing.	1% - 2% of purchase price	\$ _____
Moving costs The cost of moving all your furniture and belongings.	Varies depending on how far you're going, how much you have to move, and if you decide to hire movers	\$ _____
Subtotal Part 1: Cash for one-time fees		\$ _____

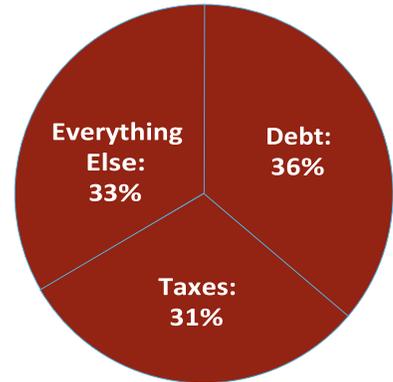
Part 2: Cash you'll need every month	Typical Range	Your estimated costs
Your monthly principal , interest, taxes and insurance payment	Your comfortable monthly payment for today's session	\$ _____
Mortgage Insurance Insurance the lender will require if your down payment is less than 20% of the home value's	Typically amounts to about one-half of 1 percent of the loan	\$ _____
Condo/maintenance fees These fees typically cover the cost of insurance, taxes, maintenance (i.e., lawn care) and reserves for a condominium project.	\$200 - \$350/month	\$ _____
Homeowners association (HOA) dues If you choose a property in a neighborhood with an HOA, these annual or monthly fees cover neighborhood maintenance costs.	Varies—ask your real estate agent to investigate for you	\$ _____
Utilities and fees Regular water, gas, electricity, sewage treatment and garbage pickup.	\$100 - \$500/month	\$ _____
Lawn and property maintenance	\$100 – \$500/month	\$ _____
Exterior and interior home repairs Depending on the age and type of your house, there will be periodic maintenance or repairs needed to keep your home in good condition.	\$100- \$500/month	\$ _____
Subtotal Part 2: Cash you'll need every month		\$ _____

How much home can I afford?

Rule of thumb for what you can afford

You'll hear different advice on what you can afford to borrow depending on who you ask, but a good rule of thumb is to keep to these limits:

- **36% goes to pay debts.** Banks generally advise that your mortgage payment not be more than 28% of your gross monthly income, leaving 8% for other debts like a car loan.
- **31% of your income goes toward taxes.** That's the national average.
- **33% goes toward everything else**—food, clothes, entertainment, vacations, as well as savings and investments that you put away for a rainy day.



Let's use this chart to find the price of the house and monthly payment you think you can comfortably afford.

TIP: Find the monthly payment amount that's closest to your current housing payment.

Purchase Price of Home	10% Down Payment	Loan Amount	Monthly Principal, Interest, Taxes & Insurance Payment*
\$200,000	\$20,000	\$180,000	\$1,462
\$250,000	\$25,000	\$225,000	\$1,827
\$300,000	\$30,000	\$270,000	\$2,193
\$400,000	\$40,000	\$360,000	\$2,923
\$500,000	\$50,000	\$450,000	\$3,656

* The chart estimates the monthly principal, interest, property taxes and insurance (homeowners and private mortgage insurance) payments assuming a 10% down payment and a 30-year fixed-rate mortgage at 5%.

Your "comfortable home purchase price":	\$ _____
Your "comfortable monthly payment":	\$ _____

How much home can I afford? (Part 2)

Let's determine how much you can spend on housing based on some common guidelines:		
Enter your monthly gross income (before taxes)	\$ _____	
Multiply your monthly gross income x .36	\$ _____ =	Common guideline for the maximum monthly debt you should have, including your new mortgage payment
Multiply your monthly gross income x .28	\$ _____ =	Common guideline for the maximum monthly mortgage debt you should have
EXAMPLE (Using a gross income of \$36,000/yr.)		
Enter your monthly gross income (before taxes)	\$3,000	
Multiply your monthly gross income x .36	\$1,080	
Multiply your monthly gross income x .28	\$840	

Rule of Thumb:

36% of income should go to pay debt with no more than 28% going to your mortgage payment.

- You'll also want to consider how much of your monthly income you are comfortable devoting to your house payment and how much you'll have left over after purchasing your home.

How much do I need for a down payment?

A down payment is the money you pay toward the cost of the house when you first buy it. You borrow the rest from the bank as a mortgage. The day after you close on your house, your down payment becomes the equity you have in your home.

You have several down payment options. Some of the options include:

- **20%:** One of the more conservative options banks may use; equals 20% of the home purchase price.
- **3.5%–5%:** May be available for some government loans and some conventional loans.
- Additionally, a VA loan requires little to no down payment for eligible borrowers.

Your possible down payment options include:	Your home price for today's session	Percent down	Your down payment
Option #1: 20%	\$ _____	x 20%	\$ _____
Option #2: 10%	\$ _____	x 10%	\$ _____
Option #3: 5%	\$ _____	x 5.0%	\$ _____
Option #4: 3.5%	\$ _____	x 3.5%	\$ _____
Option #5: 0%	\$ _____	x 0%	\$ _____
CHECKPOINT: How much will my down payment be?			\$ _____

Special programs

State and local governments offer down payment assistance to homebuyers. Many nonprofit organizations also offer down payment assistance. Contact your credit union/bank or your state housing authority for information on these programs.

www.hud.gov/states/colorado/homeownership/buyingprgms

What happens if I don't have 20% to put down?

If you choose conventional financing (a loan other than VA, etc.) and you put less than 20% down, you'll need to pay private mortgage insurance (PMI).

- PMI covers the bank if you stop paying your mortgage and default on your loan. PMI generally costs less than 1% of the outstanding loan balance, and it's usually combined with your monthly mortgage payment. It can add up to many thousands of dollars over the life of the loan.
- When you've paid enough principal to own more than 20% of the house, you can apply to drop the PMI.

Some examples of what PMI can cost per month:

Loan Amount	Interest Rate	Term	Down Payment	Monthly PMI Cost
\$100,000	5%	30 years	10%	\$40.83
\$150,000	5%	30 years	10%	\$61.25
\$200,000	5%	30 years	10%	\$81.67
\$250,000	5%	30 years	10%	\$102.08
\$300,000	5%	30 years	10%	\$122.50

If you choose FHA financing, an up-front mortgage insurance premium and monthly mortgage insurance premiums (MIP) are required.

- The up-front MIP is 1.75% of the loan amount and can be financed.
- The monthly MIP amount is determined by the loan-to-value ratio (LTV) and the term of the mortgage.
- The monthly MIP may be canceled if your original LTV is less than 90% and after the first 11 years of the mortgage term or the end of the full mortgage term, whichever occurs first.
- The monthly MIP cannot be canceled for the first 30 years of the mortgage term, or until the end of the full mortgage term, whichever occurs first, if your original LTV is greater than 90%.

CHOOSE A HOME LOAN THAT FITS YOU!

Loans We Offer:

FHA/First-Time Home Buyer

- Only 3.5% down
- Competitive rates

VA/Veterans Assistance

- Do down payment required for veterans who have served in the armed forces
- Competitive rates

Fixed Rate Mortgage

- Monthly payment remains the same throughout your loan term
- 15-year or 30-year terms available
- Minimum down payment – 10% depends on loan amount

Rapid Refi Mortgage

- Consolidate your First Mortgage and Second Mortgage into one low equity loan payment. Great option for a quick close on property
- 10-year or 15-year terms available

Easy Equity Loans

- Easy Equity Loan is a second mortgage on your home with a fixed rate and term. You may borrow up to 80% of the tax assessed/appraised value of your home less the balance of your first mortgage. The funds can be used for any purpose and the interest paid may be tax deductible.
- 5, year, 10 year or 15 year terms available

Home Equity Line of Credit (HELOC)

- Great product for home remodeling, travel, wedding expenses, debt consolidation etc.
- Works like a credit card
- Variable and fixed-rate options

What documents will I need to apply for a loan?

When you apply for a loan, you'll typically need to provide quite a bit of information. The documents will enable your lender to verify your income and assets.

Here's a list of typical documents and data you'll need to provide:

Income verification	<ul style="list-style-type: none"> Names and addresses of employers for two years W-2s for two years One to two years of tax returns Most recent year-to-date pay stub reflecting a minimum of 30 days of income or other proof of income If self-employed, year-to-date profit and loss statement, plus signed returns for last two years Proof of pension income, if applicable Social Security and Disability payments, if applicable Dividend earnings Bonuses Child support earnings (optional)* Alimony or separate maintenance (optional)*
Asset verification	<ul style="list-style-type: none"> Bank account numbers and balances Bank statements for two to three months A copy of earnest money deposit
Debt verification	<ul style="list-style-type: none"> Information on debts such as car loans, student loans, and credit card debt

*It's not necessary to disclose alimony, child support, or separate maintenance income unless you want the lender to consider it as a basis for repaying the loan.

Select a lender you are comfortable with to obtain a prequalification or conditional approval.

Prior to choosing your lender, you'll want to compare rates and fees.

Home Inspection (During your purchase)

How “healthy” is the house? Kick the tires, so to speak. There are several inspections that can be performed in order to determine how “healthy” your new house is. You will have an agreed upon timeframe to complete these inspections and the cost of all inspections are the Buyer’s responsibility.

Sewer Scope

- ✓ \$99 can help save you from a \$10,000 problem!
- ✓ The company sends a camera down the main sewer line, from the house to the street. Some companies allow you keep the video and will provide a report that lists any cracks, holes, or breaks in the line.
- ✓ To save money, schedule the sewer scope first. If there is a deal-breaking problem, you won’t need to spend money on other inspections.

General Home Inspection

- ✓ Highly recommended! Remember, the inspector is hired by you and is looking out for your best interests.
- ✓ Use a reputable inspector. Ask your Realtor® for a recommendation.
- ✓ They should inspect the house from the roof to the subfloor, making sure systems work, building codes are met, and pointing out any concerns. Some may include tests for radon or lead-based paint.
- ✓ Plan to be present at the inspection, which could take 2-4 hours, depending on the size of the property.

Radon Testing

- ✓ Radon is a radioactive gas that runs in veins in the soil.
- ✓ Emissions can be harmful in high amounts. Check EPA website for more information.
- ✓ Radon tests cost \$125. The cost to mitigate a radon problem is approximately \$1,000-1,500.

Mold Inspection

- ✓ Home inspector should be able to recognize signs of mold.
- ✓ Mold is a health hazard and should be mitigated. Check EPA website for more information.

Lead-based Paint Testing

- ✓ Houses built before 1978 require a Lead-Based Paint Disclosure from the Seller.
 - ✓ Traces of lead can be found in paint used in old house interiors and may be harmful, especially to young children. Check EPA website for more information..

Termite/Pest Inspection

- ✓ An evaluation of pest damage. The initial inspection will be less than \$100, although if they find evidence of termites or other pests, the extermination can cost several thousand dollars.

ILC or Survey

- ✓ ILC = Improvement Location Certificate
- ✓ ILC is a watered down survey. Surveys locate property lines, easements, and encroachments.
- ✓ Both are optional. ILC typically costs \$250-\$400, whereas surveys can cost thousands of dollars.

Final Walk-Through

- ✓ Allows you to inspect the house for any inspection items that Seller agreed to repair, any included items Seller agreed to leave in property, general condition of the house (no major damage suddenly appearing).
- ✓ Your Realtor® will coordinate this. Discuss the best time to do the final walk-through.
- ✓ Don’t want to complete too far in advance, but don’t want to complete too close to Closing.

Homebuyers Checklist

Be sure to make complete copies of this checklist for each property you visit.

Address: _____

Price: _____ Specials: _____

Date Visited: _____ Time Visited: _____

Property information

Style of home:

- Rambler/Ranch Traditional Contemporary Two story
 Split level Manufactured home Other: _____

Construction:

- Wood siding Vinyl siding Aluminum siding Brick
 Stucco Stone Other: _____

Age of home: _____

Bedrooms:

Number: _____ Rate 1—5 (1 poor, 5 excellent)

Master bedroom rating 1 2 3 4 5

Master bathroom attached: Yes No

Additional bedroom rating: 1 2 3 4 5

Additional bedroom rating: 1 2 3 4 5

Notes: _____

Garage:

Number of cars: _____

Automatic door: Yes No

Attached/Detached: Yes No

Notes on Kitchen: _____

Bathrooms:

Number: _____ Rate 1—5 (1 poor, 5 excellent)

Master bathroom rating	1	2	3	4	5
Master bathroom attached:	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Additional bathroom rating:	1	2	3	4	5
Additional bathroom rating:	1	2	3	4	5

Notes: _____

Heating and air conditioning:

Type of heat: Gas Oil Electric

Type of air conditioning: Central Wall units None

Features:

Basement:	<input type="checkbox"/> Yes	<input type="checkbox"/> No	Separate dining room:	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is it finished:	<input type="checkbox"/> Yes	<input type="checkbox"/> No	Separate laundry room:	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Yard:	<input type="checkbox"/> Yes	<input type="checkbox"/> No	Fireplace:	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is it fenced:	<input type="checkbox"/> Yes	<input type="checkbox"/> No	Attic:	<input type="checkbox"/> Yes	<input type="checkbox"/> No

What did I like about this home? _____

What didn't I like about this home? _____

Notes on school district: _____

Commute to work/school etc.: _____

Crime rate/safety: _____

Additional Comments: _____

Moving Checklist

Eight Weeks Before:

- Create an inventory sheet of items to move.**
- Research moving options.** You'll need to decide if yours is a do-it-yourself move or if you'll be using a moving company.
- Request moving quotes.** Solicit moving quotes from as many moving companies and movers as possible. There can be a large difference between rates and services within moving companies.
- Discard unnecessary items.** Moving is a great time for ridding yourself of unnecessary items. Have a yard sale or donate unnecessary items to charity.
- Packing materials.** Gather moving boxes and packing materials for your move.
- Contact insurance companies.** You'll need to contact your insurance agent to cancel/transfer your insurance policy.
- Seek employer benefits.** If your move is work-related, your employer may provide funding for moving expenses. Your human resources rep should have information on this policy.

Four Weeks Before:

- Contact utility companies.** Set utility turnoff date, seek refunds and deposits and notify them of your new address.
- Obtain your medical records.** Contact your doctors, physicians, dentists and other medical specialists who made currently be retaining any of your family's medical records. obtain these records or make plans for them to be delivered to your new medical facilities.
- Note food inventory levels.** Check your cupboards, refrigerator and freezer to use up as much of your perishable food as possible.
- Service small engines** for your move by extracting gas and oil from the machines. This will reduce the chance to catch fire during your move.
- Protect jewelry and valuables.** Transfer jewelry and valuables to safety deposit box so they can not be lost or stolen during your move.
- Borrowed and rented items.** Return items which you may have borrowed or rented. Collect items borrowed to others.

One Week Before:

- Change of address.** Visit USPS for change of address form. Obtain your medical records.
- Bank accounts.** Notify bank of address change. Make sure to have a money order for paying the moving company if you are transferring or closing accounts.
- Service automobiles.** If automobiles will be driven long distances, you'll want to have them serviced for a trouble-free drive.
- Cancel services.** Notify any remaining service providers (newspapers, lawn services, etc) of your move.
- Start packing.** Begin packing for your new location.
- Travel items.** Set aside items you'll need while traveling and those needed until your new home is established. Make sure these are not packed in the moving truck!
- Scan your furniture.** Check furniture for scratches and dents before so you can compare notes with your mover on moving day.

Moving Day:

- Plan your itinerary.** Make plans to spend the entire day at the house or at least until the movers are on their way. Someone will need to be around to make decisions.
- Review the house.** Once the house is empty, check the entire house (closets, the attic, basement, etc) to ensure no items are left or no home issues exist.
- Sign the bill of lading.** Once your satisfied with the mover's packing your items into the truck, sign the bill of lading. If possible, accompany your mover while the moving truck is being weighed.
- Double check with your mover.** Make sure your mover has the new address and your contact information should they have any questions during your move.
- Vacate your home.** Make sure utilities are off, doors and windows are locked and notify your real estate agent you've left the property.