

ADULTING 101:
First Time
Home Buying

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I am...


Hello!

Dr. Bradley
Program Director/Assistant Professor
Speech Pathology & Audiology
stephanie.bradley@westliberty.edu
304-336-8100

“
“If you haven't found it yet, keep looking. Don't settle. As with all matters of the heart, you'll know it when you find it.” ~Steve Jobs
”

Agenda

- ✓ **First Time Home Buyer Statistics**
- ✓ **10 Steps to Home Buying**
 - ✓ Tips for budgeting
 - ✓ Popular resources for home buying
 - ✓ Calculating costs
 - ✓ Credit score
 - ✓ Mortgage types
 - ✓ Agents
 - ✓ How to make an offer
 - ✓ Home inspection vs. appraisal
 - ✓ Tips for closing day
- ✓ **References**
- ✓ **Questions**



First-Time Homebuyer Statistics

- 65%** OF PEOPLE BUY THEIR HOME IN THE FIRST YEAR OF WORKING FULL-TIME
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- 79%** OF FIRST-TIME HOMEBUYERS ARE UNDER 35
- 46%** OF FIRST-TIME HOMEBUYERS ARE UNDER 35
- 47%** OF PEOPLE BUY THEIR HOME IN THE FIRST YEAR OF WORKING FULL-TIME
- \$75,000** IS THE AVERAGE DOWN PAYMENT FOR A FIRST-TIME HOMEBUYER
- 15 MILES** IS THE AVERAGE COMMUTE TO WORK FOR FIRST-TIME HOMEBUYERS
- 65%** OF FIRST-TIME HOMEBUYERS ARE UNDER 35
- 50% OVER FOUR YEARS = 2.1 MILLION** OF FIRST-TIME HOMEBUYERS ARE UNDER 35
- 15%** OF FIRST-TIME HOMEBUYERS ARE UNDER 35
- 38%** OF FIRST-TIME HOMEBUYERS ARE UNDER 35
- 1,870 square feet** IS THE AVERAGE SQUARE FOOTAGE FOR A FIRST-TIME HOMEBUYER
- 46%** OF FIRST-TIME HOMEBUYERS ARE UNDER 35
- 32** IS THE AVERAGE NUMBER OF YEARS TO LIVE IN A HOME

There's a First for Everything!

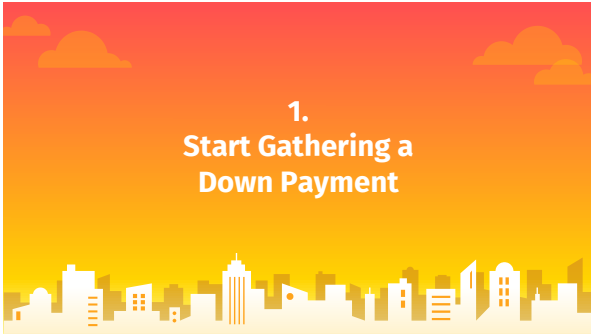


(Network, 2019)

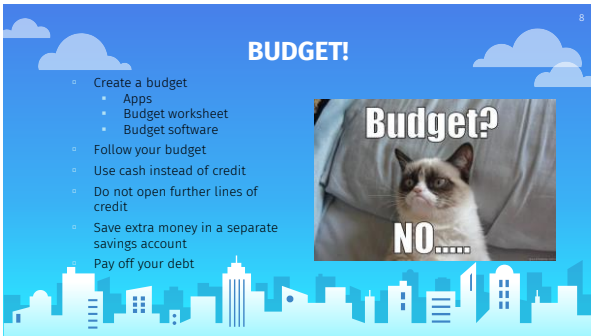
TOP 10

- Step 1:** Start gathering a down payment
- Step 2:** Check your credit score
- Step 3:** Get pre-approved for a mortgage
- Step 4:** Find a real estate agent
- Step 5:** Go shop for a home
- Step 6:** Make an offer
- Step 7:** Get a home inspection
- Step 8:** Get a home appraisal
- Step 9:** Head to closing
- Step 10:** Move in!

(*CIP user site*, 2019)



1.
Start Gathering a
Down Payment



BUDGET!

- Create a budget
 - Apps
 - Budget worksheet
 - Budget software
- Follow your budget
- Use cash instead of credit
- Do not open further lines of credit
- Save extra money in a separate savings account
- Pay off your debt





Top 9 Budget Apps



1. Mint
2. Acorns
3. PocketGuard
4. Wally
5. Every Dollar
6. You Need a Budget (YNAB)
7. Goodbudget
8. CountAbout
9. Clarity Money

(O'Connell, 2019)

How Much House is too Much House?


- Add up all income
- Look at your budget
- Calculate home ownership costs including utilities; account for an emergency fund
- Dave Ramsey recommends your housing payment, including property taxes and insurance, to be no more than 25% of your take-home income.



2. Check Your Credit Score

FICO (Credit) Score


- Depends on the type of loan
- Repair poor credit
- Establish credit if you do not have credit
- Credit score dictates loan interest rate
- Free websites:
 - annualcreditreport.com
 - Credit Karma
 - Credit Sesame
 - Wallet Hub



5 Popular Types of Home Loans

(Types of Home Loans Most Commonly Used to Buy Property in the United States, 2019)

3. Get Pre-Approved for a Mortgage





Mortgage

- Lender shop
- Compare rates
- Types of mortgages: Conventional, Government, Jumbo
- Types of mortgage rates: Fixed vs. adjustable
- Mortgage calculator
- Term length
- Get a quote
- First time home buyer programs/grants



Today's Mortgage Interest Rates for Purchase

Product	Interest Rate	APR
30-Year Fixed Rate	3.71%	3.83%
20-Year Fixed Rate	3.66%	3.83%
15-Year Fixed Rate	3.12%	3.32%
30-Year FHA	3.21%	3.28%
30-Year VA	3.25%	3.32%
5/1 ARM	3.88%	6.96%
7/1 ARM	3.93%	6.34%
10/1 ARM	4.20%	5.96%
30-Year Fixed Rate Jumbo	3.97%	4.09%
15-Year Fixed Rate Jumbo	3.82%	4.01%
5/1 ARM Jumbo	3.74%	6.88%
7/1 ARM Jumbo	3.71%	6.11%

Rates as of 10/10/2019 at 8:53 AM


PROS AND CONS OF DIFFERENT LOAN TYPES			
	PROS	CONS	WHO IT'S BEST FOR
FIXED-RATE MORTGAGES	<ul style="list-style-type: none"> Rates and payments remain constant, despite interest rate changes. Stability makes it easier to budget. Simple to understand. 	<ul style="list-style-type: none"> Minimum payments tend to be higher. To get a lower rate, borrowers have to refinance the loan – and pay closing costs again. 	<ul style="list-style-type: none"> Borrowers who plan to stay in a home many years and want predictable, stable payments at the same interest rate for the life of the loan.
ADJUSTABLE-RATE MORTGAGES	<ul style="list-style-type: none"> Often, lower rates and payments early in the loan term. May qualify for more loans because payments are lower (initially). Help you save and invest more money with a lower payment early in the loan. 	<ul style="list-style-type: none"> Rates and payments can increase the life of the loan. Higher rates – and payments – when loan rates can be hard to manage. ARMs are difficult to understand. Lenders have much more flexibility to customize. 	<ul style="list-style-type: none"> Borrowers who don't plan to stay in a home for more than a few years – especially when rates are higher.
CONVENTIONAL MORTGAGES	<ul style="list-style-type: none"> Can be used for a primary home, second home or investment property. Overall borrowing costs tend to be lower than other loan types. PMI is cancellable once you've gained 20 percent equity. PMI as little as 3 percent down for agency loans. 	<ul style="list-style-type: none"> Minimum FICO score of 620. Debt-to-income ratio of 43 to 45 percent. PMI typically required if your down payment is less than 20 percent. Significant documentation required to verify income, assets, down payment and employment. 	<ul style="list-style-type: none"> Borrowers with strong credit, a stable income and employment history, and a down payment of at least 3 percent.
GOVERNMENT-INSURED MORTGAGES	<ul style="list-style-type: none"> More relaxed credit requirements. Don't require a large down payment. Open to repeat and first-time buyers. 	<ul style="list-style-type: none"> Mandatory mortgage insurance premiums that cannot be cancelled on some loans. Higher overall borrowing costs. Other require more documentation to prove eligibility. 	<ul style="list-style-type: none"> Borrowers who have low cash savings, but have solid credit; or credit qualify for a conventional loan, VA loans tend to offer the best rates and most flexibility compared to other loan types for military borrowers.
JUMBO MORTGAGES	<ul style="list-style-type: none"> Allow borrowers to buy a home in an expensive area. Minimum rates tend to be competitive with other conventional loans. 	<ul style="list-style-type: none"> Down payment of at least 15 to 20 percent is needed. Minimum FICO score of 660, but average is typically 700 or higher. Maximum DTI ratio of 45 percent. Most loan regulators require 10 percent of the loan amount in cash or savings accounts. 	<ul style="list-style-type: none"> Well-off borrowers purchasing a high-cost home who also have good to excellent credit, high incomes and a substantial down payment.

(*Compare Today's Mortgage Rates | Bankrate®, 2019)

Mortgage Calculator Example

Mortgage Calculator

Estimate your payment with our easy-to-use loan calculator. Then get pre-qualified to loan by a local lender.



\$1,209
Monthly

- Principal Payment (\$822)
- Property Taxes (\$112)
- Home Insurance (\$87)
- PMI (\$88)

ZIP Code:

Home Price:

Down Payment:

Interest Rate:

Loan Type:

Get Pre-Qualified

4.

Find a Real Estate Agent




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Get an Agent


- Makes the process stress-free
- Search, evaluate, negotiate the purchase
- Guide and assist through the entire process
- Write up offer and complete paperwork
- Do not be afraid to agent shop also
- Examples of area brokers: First Choice Reality, Howard Hanna, Century 21, JJ Guida Airport Reality, Cedar One Reality, Harvey Goodman Reality

5. Go Shop for a Home



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✈ Location, Location, Location 📍



SHOP!

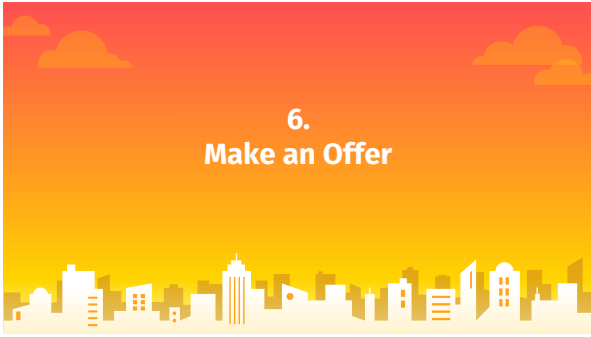
- Check the sites
- MLS listings
- Wants vs. needs list
- Go see the homes
- Ask questions
- Have fun!

Popular Home Buying Sites

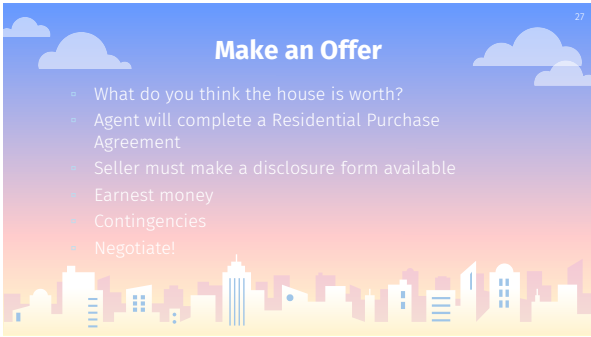
- Realtor.com
- Zillow.com
- Trulia.com
- Homefinder.com
- Homes.com
- Area broker sites

Popular Real Estate Search Apps

- ❖ Homesnap
- ❖ Realtor
- ❖ Zillow
- ❖ Trulia
- ❖ Redfin
- ❖ Dwellr













Order the Home Inspection

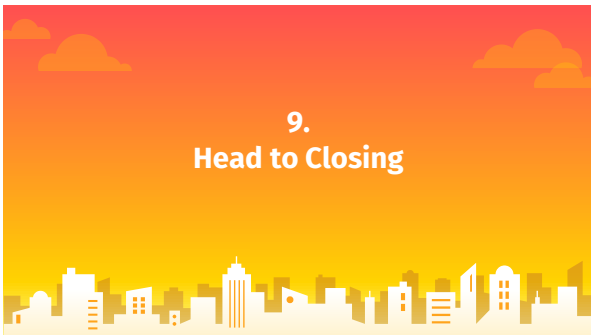


- Included in a home inspection:
 - Foundation
 - Structural elements
 - Roof
 - Masonry
 - Interior and exterior components
 - Heating and cooling systems
 - Plumbing system
 - Any other house-related component



A slide with a dark blue background, a starry sky, and a city skyline silhouette at the bottom. On the left, there is a bulleted list. On the right, there is an illustration of a person with a magnifying glass over the word "Appraisals".

- Hired by the lender
- Appraises the exact value of the home regardless of seller's price
- Based on square footage, location, additions, renovations, appliances
- Fee in closing cost paid by buyer
- Last minute walk through



🔑 Closing Day 🗝️

- Be ready to sign your name
- Closing costs average 2-7% of the home
- Paying for appraisal, lender fees, taxes, first year of home owners insurance, document fees, lawyer fees
- These fees are separate than the down payment
- Pay with money order (have to get prior to)
- Get your NEW keys!



10.
Move In!



🏠 Congratulations, Home Owner! 🏠

