

# A Guide To Buying Your **First Home**



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# Top Reasons To Own Your Home



## Accomplishment



Feeling a sense of achievement and pride

## Loved Ones



Prioritizing the needs of those closest to you

## Stability



Locking in your monthly housing payment with a fixed-rate mortgage

## Financial Investment



Growing your assets and net worth

## Comfort



Enjoying features that enhance your lifestyle

## Privacy



Having a space that's your own

## Personal Expression



Tailoring your home to your unique style

## Community



Being a part of a broader social group

If you're ready to buy a home, let's get the process started today.



# How To Start the Homebuying Process

*Buying a home might seem really hard. There are so many things to think about, like getting a loan, checking your credit score, figuring out the home's value, and dealing with lots of paperwork. It can feel pretty overwhelming, especially if it's your first time. But it doesn't have to be scary.*

## **Acknowledge This Once-in-a-Lifetime Achievement**

As you take the first steps on this journey, focus on the excitement you feel. Homeownership changes lives – it's that simple. It gives you more stability, more stake in the community, and a greater sense of pride and accomplishment.

Don't worry – no one expects you to know everything about the process up front. Instead, focus on your homebuying goal and how achieving it will change your life. Let the experts help you along the way with the finer details. Your job is to think about what you want, what you need, and who's going to help you achieve your goal.

## **Build Your Knowledge and Your Team**

When it comes to buying your first home, seeking out information about homeownership and the homebuying process is the first step. Before you can make one of the biggest and most impactful purchases of your life, you need to understand what it takes to become a homeowner and why homeownership is so worthwhile. That's where the experts come in.

In this guide, you'll find expert insights and research to help you learn how to get started, what you need to know, and what you can expect from the process. That way, you'll have confidence as you take this important step forward.

## Understand the Key Pieces of the Puzzle

Another thing to remember is there may be hurdles you need to overcome before committing.

Making a big life decision can be intimidating. It's human nature to question if you're doing the right thing. In the rest of this guide, you'll explore some of the main things that could be holding you back, including:

- *Down Payments*
- *Beliefs on Renting vs. Buying*
- *Student Loan Debt*

You'll find out what's true and what's not. That way, if you're on the fence about whether you want to buy, or you're just kicking off your journey into homeownership, you'll have the information you need to make an informed decision.

### Bottom Line

*If you want to own a home, it's important to know the facts so you can decide what's best for you. Let's begin by talking about the top three myths that might be stopping you.*





## Myth #1: I Need To Save Up 20% for a Down Payment

*If you're getting ready to buy your first home, you're likely trying to save money for all the big costs that come with it. One of the things you might be thinking about a lot is the down payment.*

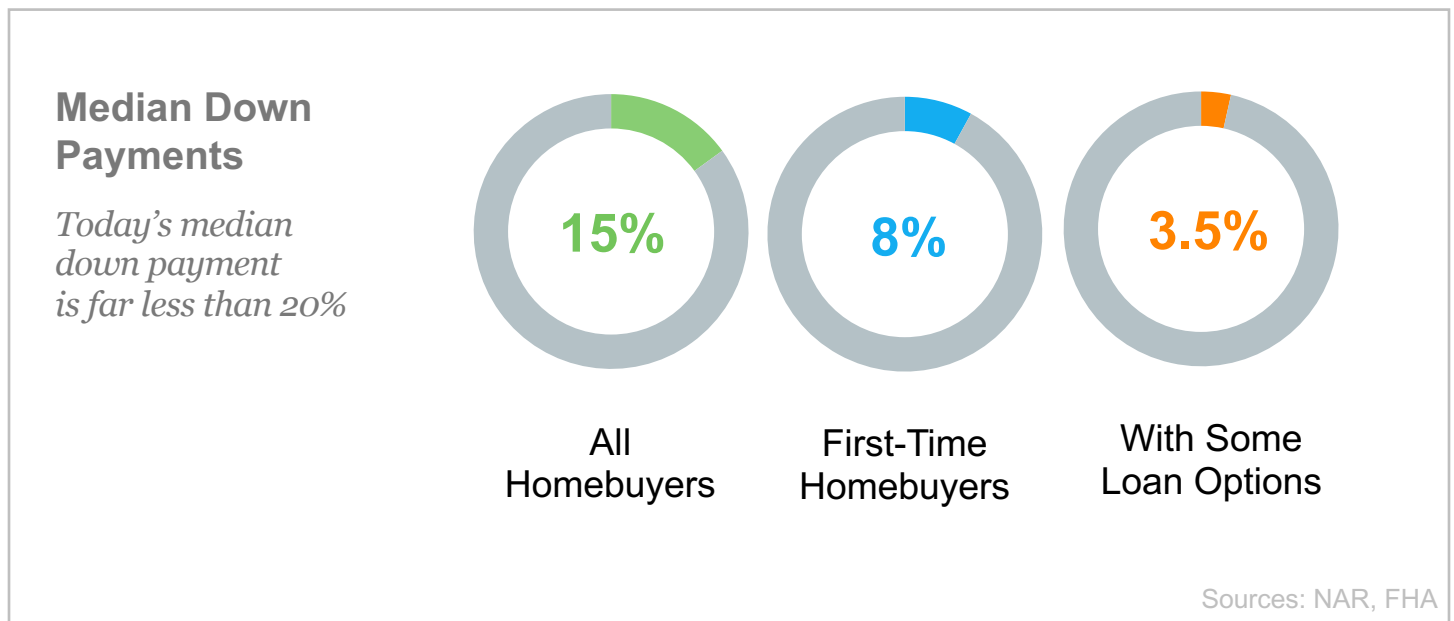
### **A Common and Costly Misconception**

If you're planning to buy your first home, saving up for all the costs involved can feel daunting, especially when it comes to the down payment. That might be because you've heard you need to put down 20% of the home's price at closing. Well, that isn't necessarily the case. As *The Mortgage Reports* says:

*"Although putting down 20% to avoid mortgage insurance is wise if affordable, **it's a myth that this is always necessary. In fact, most people opt for a much lower down payment.**"*

**Here's the good news. Unless specified by your loan type or lender, it's typically not required to put 20% down. That means you could be a lot closer to your homebuying dream than you realize.**

According to the *National Association of Realtors* (NAR), the median down payment hasn't been over 20% since 2005. In fact, for all homebuyers today it's only 15%. And it's even lower for first-time homebuyers at just 8% (see *graph below*):



## What Does This Mean for You?

**You may not need to save as much as you originally thought.**

And it's not just how much you need for your down payment that isn't clear. There are also misconceptions about down payment assistance programs.

According to *Down Payment Resource*, there are over 2,000 homebuyer assistance programs in the U.S., and the majority are intended to help with down payments.

Plus, there are even loan types, like FHA loans with down payments as low as 3.5% as well as options like VA loans and USDA loans with no down payment requirements for qualified applicants.

With so many resources available to help with your down payment, the best way to find what you qualify for is by consulting with your loan officer or broker. They know about local grants and loan programs that may help you out.

Then, if you're interested in learning more about down payment assistance programs, information is available through sites like *Down Payment Resource*.

### Bottom Line

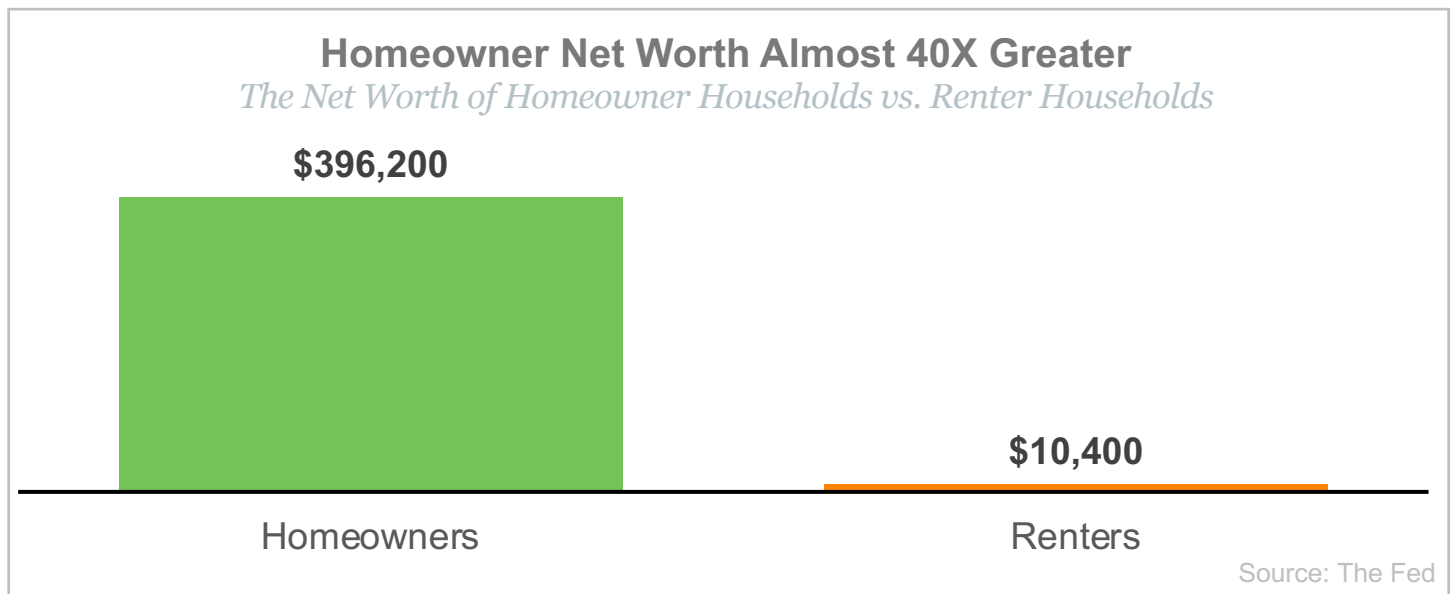
*Remember, you don't always have to pay 20% upfront to buy a home. If you want to make a move this year, let me know what questions you have about down payments.*

# Myth #2: Renting Makes More Financial Sense



*Some people might tell you it's smarter to rent instead of buying these days. However, there are still many great reasons to own a home. For example, having your own home is usually seen as a smart way to invest your money for the future, helping you increase your wealth as time goes by.*

Every three years, the *Federal Reserve* releases the Survey of Consumer Finances (SCF), which compares net worth for homeowners and renters. The latest report **shows the average homeowner's net worth is almost 40X greater than a renter's** (see graph below):



One reason a wealth gap exists between renters and homeowners is because when you're a homeowner, your equity grows as your home appreciates in value and you make your mortgage payment each month. When you own a home, your monthly mortgage payment acts like a form of forced savings, which eventually pays off when you decide to sell. As a renter, you'll never see a financial return on the money you pay out in rent every month. Ksenia Potapov, Economist at *First American*, explains it like this:

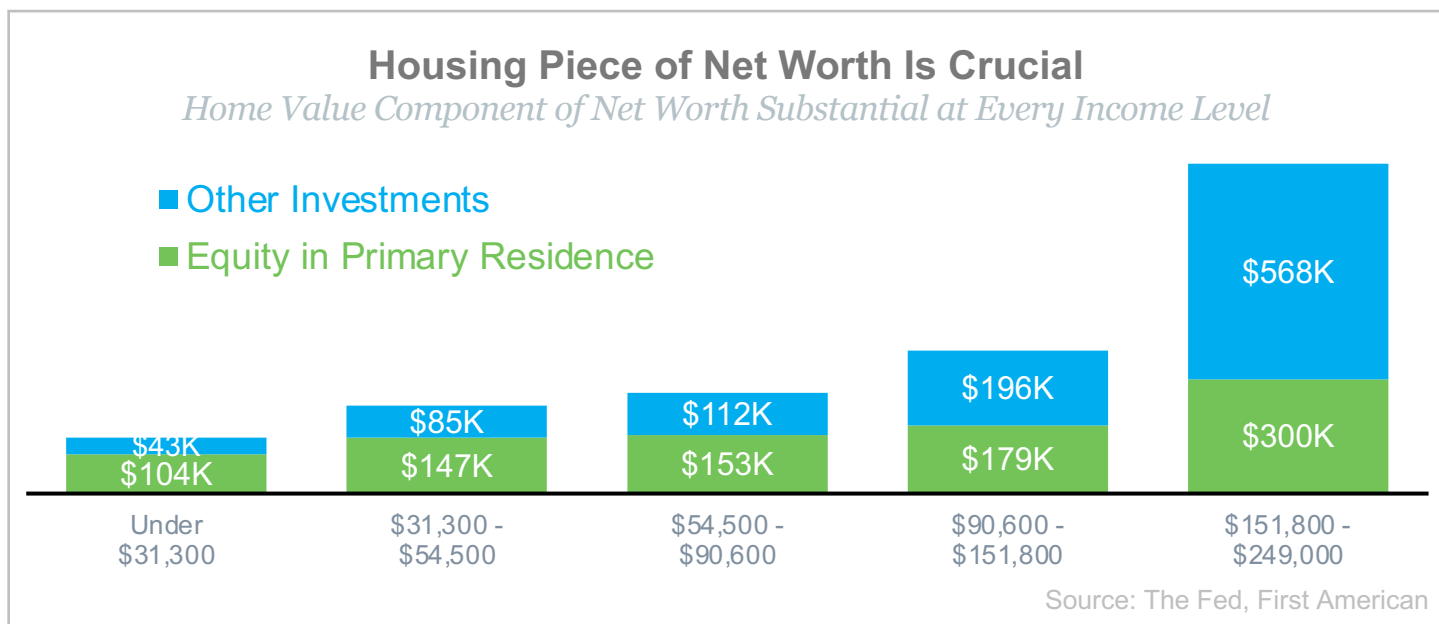
*"Renters don't capture the wealth generated by house price appreciation, nor do they benefit from the equity gains generated by monthly mortgage payments . . ."*





## The Largest Part of Most Homeowners' Net Worth Is Their Equity

Home equity does more to build the average household's wealth than anything else. According to data from *First American* and the *Federal Reserve*, this holds true across different income levels (see graph below):



The green segment in each bar represents how much of a homeowner's net worth comes from their home equity. Based on this data, it's clear no matter what your income level is, owning a home can really boost your wealth. Nicole Bachaud, Senior Economist at *Zillow*, shares:

*"The biggest asset most people are ever going to own is a home. Homeownership is really that financial key that helps unlock stability and wealth preservation across generations."*

### Bottom Line

*If you're not sure about renting or buying, remember that having your own home can help you build your net worth over time, no matter how much you earn. To learn more about this and other benefits of owning a home, let's connect.*



## Myth #3: My Student Loans Mean I Won't Get Approved

*If you have student loans and want to buy a home, you might be worried about how your debt affects your plans. Are you supposed to pay off all your loans first? Or can you still get a loan for a house even with your student debt? Let's check out the latest information to find the answers you need.*

### **Do You Have To Delay Your Plans Because of Student Loans?**

If you're worried your student loan debt means you have to put your homeownership goals on hold, you're not alone. In fact, many first-time buyers in this situation believe they need to delay their plans.

According to the *2023 Profile of Home Buyers and Sellers* from the *National Association of Realtors* (NAR), out of all the first-time buyers who said saving for a downpayment was difficult, **45%** delayed saving for a home purchase because of their student loan debt.

But you should know, even with student loan debt, delaying your plans to buy a home may not be necessary. While everyone's situation is unique, your goal may be more within your reach than you realize.



## Can You Qualify for a Home Loan if You Have Student Loans?

In the same report from NAR, 38% of first-time buyers had student loan debt, with a median amount of \$30,000.

That means other people in a similar situation were able to qualify for and buy a home even though they also had student loan debt. You may be able to do the same, especially if you have a steady source of income. *Rocket Mortgage* drives this point home:

*“ . . . home buyers with student loans can qualify for a mortgage because you don’t need to be 100% debt-free to buy a house. However, when a lender evaluates your application, they will look at your current debt, including your student loans.”*

*Bankrate* adds:

*“ . . . you can have student loans and a mortgage at the same time. . . . If you have student loans and want a mortgage, there are multiple home loan programs you might qualify for . . . ”*

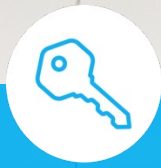
**The key takeaway is, for many people, homeownership is achievable even with student loans.**

The best way to make a decision about your goals and next steps is to talk to the professionals. A real estate advisor can walk you through your specific situation, your options, and what has worked for other buyers like you.

They can also connect you with other professionals, such as a trusted lender, who can help. You don’t have to figure this out on your own – lean on the experts so you have the information you need to make the right decision for you.

### **Bottom Line**

*Lots of other people with student loan debt are managing to buy their own homes. Maybe it’s your turn to make your dream of owning a home come true. Let’s talk about your options and see how close you are to reaching your goal.*



## ESSENTIAL INFORMATION

Now that you're excited about homeownership and we've cleared the hurdles that could be holding you back, let's get tactical. Here's a look at several key terms you'll need to know and some essential information on what to expect from the homebuying process.



# Key Terms To Know When Buying a Home



## Affordability

A measure of whether someone earns enough to qualify for a loan on a typical home based on the most recent price, income, and mortgage rate data. When home prices and mortgage rates are higher, it can impact affordability.



## Appraisal

A report highlighting the estimated value of the property completed by a qualified third party. Lenders rely on appraisals to validate a home's value and ensure they're not lending more than the home is worth.



## Closing Costs

The fees required to complete the real estate transaction. Paid at closing. Ask your lender for a complete list of closing cost items, including points, taxes, title insurance, and more.



## Credit Score

A number ranging from 300–850 that's based on an analysis of your credit history. This helps lenders determine the likelihood you'll repay future debts.



## Down Payment

Down payments are typically 3.5–20% of the purchase price of the home. Some 0% down programs are also available. Ask your lender for more information about what you may qualify for.



## Equity

The value of your home above the total amount of liens against your home. Many homeowners are realizing they have more equity than they thought and they're using it to move.



## Inspection Contingency

A provision in a contract requiring an inspection to be completed. This essential step gives you information on the home's condition and potential repairs.



## Mortgage

A loan using your home as collateral. It also may be used to indicate the amount of money you borrow, with interest, to purchase your house. The amount of your mortgage often is the purchase price of the home minus your down payment.



## Mortgage Rate

The interest rate you pay to borrow money when buying a home. As mortgage rates fluctuate, consult a lender so you know how it can impact your monthly mortgage payment.



## Pre-Approval Letter

A letter from a lender that shows what they're willing to lend you for your home loan. This, plus an understanding of your savings, can help you decide on your target price range.

# Your Journey to Homeownership

Here are the key milestones you'll encounter on your path to homeownership.

1

## Build Your Team

Kickstart the process by finding trusted experts to guide you along the way.



2

## Check Your Score

Find out your credit score and work to improve it by cutting down debt and spending.



3

## Boost Your Savings

Talk to a professional about down payment options. Then set a goal and budget accordingly.



4

## Know Your Numbers

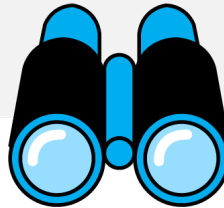
Discover what you can afford based on mortgage rates, income, and more. Then get pre-approved by a trusted advisor.



5

## Go House Hunting

Explore neighborhoods, home types, and determine your must-haves with your agent.



6

## Make an Offer

Meet with your agent to draft your offer and negotiate with the seller.

7

## Get an Inspection and an Appraisal

Rely on the pros as they determine the value and condition of the home. Renegotiate as needed.



8

## Make It Official

On closing day, sign the final documentation and get the keys to your home.



9

## Move into Your New Home

Send in the movers because it's time to make your dream a reality on move-in day.





# Why Pre-Approval Is Even More Important This Year

*On the road to becoming a homeowner? If so, you may have heard the term pre-approval get tossed around. Let's break down what it is and why it's important if you're looking to buy a home this year.*

## What Pre-Approval Is

As part of the homebuying process, your lender will look at your finances to figure out what they're willing to loan you. According to *Investopedia*, this includes things like your W-2, tax returns, credit score, bank statements, and more.

From there, they'll give you a pre-approval letter to help you understand how much money you can borrow. *Freddie Mac* explains it like this:

***"A pre-approval is an indication from your lender that they are willing to lend you a certain amount of money to buy your future home. . . . Keep in mind that the loan amount in the pre-approval letter is the lender's maximum offer. Ultimately, you should only borrow an amount you are comfortable repaying."***

Now, that last piece is especially important. While home affordability is getting better, it's still tight. So, getting a good idea of what you can borrow can help you really wrap your head around the financial side of things. It doesn't mean you should borrow the full amount. It just tells you what you can borrow from that lender.

This sets you up to make an informed decision about your numbers. That way you're able to tailor your home search to what you're actually comfortable with budget-wise and can act fast when you find a home you love.

## Why Pre-Approval Is So Important This Year

If you want to buy a home this year, there's another reason you're going to want to be sure you're working with a trusted lender to make this a priority.

While more homes are being listed for sale, the overall number of available homes is still below the norm. At the same time, more buyers are coming back to the market this year. That imbalance of more demand than supply creates a bit of a tug-of-war for you.

It means you'll likely find you have more competition from other buyers as more and more people who were sitting on the sidelines decide to jump back in. But pre-approval can help with that too.

Pre-approval shows sellers you mean business because you've already undergone a credit and financial check. As Greg McBride, Chief Financial Analyst at *Bankrate*, says:

*“Preapproval carries more weight because it means lenders have actually done more than a cursory review of your credit and your finances, but have instead reviewed your pay stubs, tax returns and bank statements. **A preapproval means you've cleared the hurdles necessary to be approved for a mortgage up to a certain dollar amount.**”*

Sellers love that because that makes it more likely the sale will move forward without unexpected delays or issues. And if you may be competing with another buyer to land your first home, why wouldn't you do this to help stack the deck in your favor?

### Bottom Line

*If you're looking to buy a home this year, know that getting pre-approved is going to be a key piece of the puzzle. With more buyers coming back to the market, this can help you make a strong offer that stands out from the crowd.*





# Avoid These Common Mistakes After Applying for a Mortgage

*If you're getting ready to buy a home, it's exciting to jump a few steps ahead and think about moving in and making it your own. But before you get too far down the emotional path, there are some key things to keep in mind after you apply for your mortgage and before you close. Here's a list of things to remember when you apply for your home loan.*



## 1. **Don't Deposit Large Sums of Cash**

Lenders need to source your money, and cash isn't easily traceable. Before you deposit any cash into your accounts, discuss the proper way to document your transactions with your loan officer.



## 2. **Don't Make Any Large Purchases**

It's not just home-related purchases that could disqualify you from your loan. Any large purchases can be red flags for lenders. People with new debt have higher debt-to-income ratios (how much debt you have compared to your monthly income). Since higher ratios make for riskier loans, borrowers may no longer qualify for their mortgage. Resist the temptation to make any large purchases, even for furniture or appliances.



## 3. **Don't Cosign Loans for Anyone**

When you cosign for a loan, you're making yourself accountable for that loan's success and repayment. With that obligation comes higher debt-to-income ratios as well. Even if you promise you won't be the one making the payments, your lender will have to count them against you.

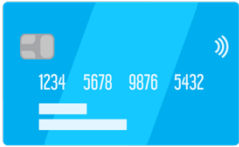


#### 4. *Don't* Switch Bank Accounts

Lenders need to source and track your assets. That task is much easier when there's consistency among your accounts. Before you transfer any money, speak with your loan officer.

#### 5. *Don't* Apply for New Credit

It doesn't matter whether it's a new credit card or a new car. When your credit report is run by organizations in multiple financial channels (mortgage, credit card, auto, etc.), it will have an impact on your FICO® score. Lower credit scores can determine your interest rate and possibly even your eligibility for approval.



#### 6. *Don't* Close Any Accounts

Many buyers believe having less available credit makes them less risky and more likely to be approved. This isn't true. A major component of your score is your length and depth of credit history (as opposed to just your payment history) and your total usage of credit as a percentage of available credit. Closing accounts has a negative impact on both of those parts of your score.



#### 7. *Do* Discuss Changes with Your Lender

Be upfront about any changes that occur or you're expecting to occur when talking with your lender. Blips in income, assets, or credit should be reviewed and executed in a way that ensures your home loan can still be approved. If your job or employment status has changed recently, share that with your lender as well. Ultimately, it's best to fully disclose and discuss your intentions with your loan officer before you do anything financial in nature.



### Bottom Line

*You want your home purchase to go as smoothly as possible. Remember, before you make any large purchases, move your money around, or make major life changes, be sure to consult your lender – someone who's qualified to explain how your financial decisions may impact your home loan.*



# Be Realistic About Your Desired Features

*Buying your first home? Think smart. Check your wish list again and figure out what you really need.*

Take some time to consider what's truly essential for you in your first house. Make a list of all the features you'll want to see, and from there, work to break those features into categories. Here's a great way to organize your list:

- **Must-Haves** – If a house doesn't have these features, it won't work for you and your lifestyle (examples: number of bedrooms/bathrooms, distance from work or loved ones, etc.).
- **Nice-To-Haves** – These are features you'd love to have but can live without. Nice-to-haves aren't dealbreakers, but if you find a home that hits all the must-haves and some of these, it's a contender (examples: a home office, a garage, etc.).
- **Dream State** – This is where you can really think big. Again, these aren't features you'll need, but if you find a home in your budget that has all the must-haves, most of the nice-to-haves, and any of these, it's a clear winner (examples: a pool, multiple walk-in closets, etc.).




Once you've categorized it in a way that works for you, discuss your top priorities with your real estate agent. Remember to think carefully about what's a non-negotiable for your lifestyle and what's a nice-to-have that's more of an added bonus. Be sure to discuss where each feature falls with your agent. They'll be able to help you refine the list further, coach you through the best way to stick to it, and find a home in your area that meets your top needs.

## **Bottom Line**

*Making a list of what you really need in your first home might seem simple, but it's an important part of your homebuying journey. Let's work together to find a place that fits your needs.*

# Checklist To Determine Your Must-Haves

Feeling motivated to make your big move? Let's start simple. Use this checklist to determine which features are most important to you in your first home.

|                          |                          | <br><b>Indoor</b> |                          |                          | <br><b>Outdoor</b> |
|--------------------------|--------------------------|--|--------------------------|--------------------------|---|
| <b>Must-Have</b>         | <b>Nice-To-Have</b>      |  | <b>Must-Have</b>         | <b>Nice-To-Have</b>      |   |
| <input type="checkbox"/> | <input type="checkbox"/> | Open Floor Plan  | <input type="checkbox"/> | <input type="checkbox"/> | Large Backyard  |
| <input type="checkbox"/> | <input type="checkbox"/> | Ample Storage Space  | <input type="checkbox"/> | <input type="checkbox"/> | Fenced-In Yard  |
| <input type="checkbox"/> | <input type="checkbox"/> | Updated Kitchen  | <input type="checkbox"/> | <input type="checkbox"/> | Outdoor Living Area   |
| <input type="checkbox"/> | <input type="checkbox"/> | Designated Home Office   | <input type="checkbox"/> | <input type="checkbox"/> | Garden Space  |
| <input type="checkbox"/> | <input type="checkbox"/> | Walk-In Attic and/or Finished Basement   | <input type="checkbox"/> | <input type="checkbox"/> | Pool/Spa  |
| <input type="checkbox"/> | <input type="checkbox"/> | Guest Room   | <input type="checkbox"/> | <input type="checkbox"/> |   |
| <input type="checkbox"/> | <input type="checkbox"/> | Laundry Room   | <b>Must-Have</b>         | <b>Nice-To-Have</b>      | <br><b>Other</b> |
| <input type="checkbox"/> | <input type="checkbox"/> | Room for a Home Gym  | <input type="checkbox"/> | <input type="checkbox"/> | Short Commute Time  |
| <input type="checkbox"/> | <input type="checkbox"/> | Walk-In Pantry   | <input type="checkbox"/> | <input type="checkbox"/> | Access to Bike Paths or Parks   |
| <input type="checkbox"/> | <input type="checkbox"/> | Updated Bathrooms  | <input type="checkbox"/> | <input type="checkbox"/> | Near Shopping and Leisure Facilities  |
| <input type="checkbox"/> | <input type="checkbox"/> | Garage   | <input type="checkbox"/> | <input type="checkbox"/> | Near Public Transit   |
| <input type="checkbox"/> | <input type="checkbox"/> |  | <input type="checkbox"/> | <input type="checkbox"/> |   |

# Strategic Tips for Buying Your First Home



*Buying your first home is exciting. It's a dream that can come true, but there are some hurdles you'll need to overcome, like the limited supply of homes for sale and ongoing affordability challenges. Here are two tips to help turn your dream into a reality.*

## Save Money with First-Time Homebuyer Programs

Paying the initial costs of homeownership, like your down payment and closing costs, can feel a bit daunting. But there are many assistance programs for first-time homebuyers that can help you get a loan with little or no money upfront. According to *Bankrate*:

*“. . . you might qualify for a first-time homebuyer loan or assistance. First-time buyer loans typically have more flexible requirements, **such as a lower down payment and credit score. Many help buyers with closing costs and the down payment through grants and low-interest loans.**”*

To find out more, talk to your state's housing authority or check out websites like *Down Payment Resource*.

## Consider Pooling Your Resources To Buy a Multi-Generational Home

Another way to break into the market is by purchasing a home with friends or loved ones. That way you can split the cost of things like the mortgage and bills, to make it easier to afford a home. According to *Money.com*:

*“Buying a home with another person has some obvious advantages in the mortgage department. **With two incomes in the mix, buyers can likely qualify for a larger mortgage — a big help in today's high-cost market.**”*

### Bottom Line

*By exploring first-time homebuyer assistance and multi-generational living, it can be easier to find and buy your first home. When you're ready, let's connect.*

# Achieve Your Dream of Homeownership with Condos and Townhomes

*If you're trying to buy a home but are having a hard time finding something in your budget, consider condos and townhomes.*

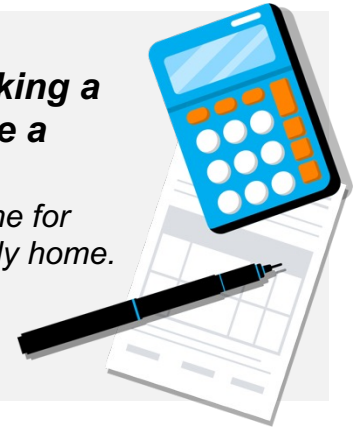
## These Options May Better Fit Your Budget



***For many newbies, it might just be a matter of making a shift toward something they can better afford—like a condo or townhome.***

*These lower-cost homes have historically been a stepping stone for buyers looking for a less expensive alternative to a single-family home.*

**Realtor.com**



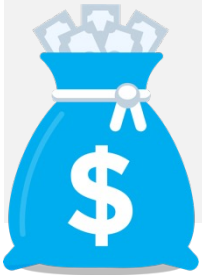
## They Get Your Foot in the Door so You Can Build Equity



***Condos can help prospective homebuyers who perhaps have a smaller budget, but who are really determined to get a foothold in the market and start to accumulate some equity.***

*It can be a really great entry point.*

**Hannah Jones**  
Senior Economic Analyst, Realtor.com

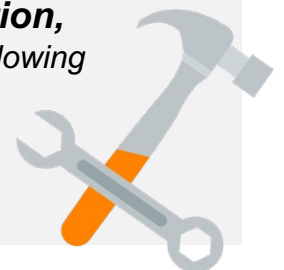


## They Tend To Require Minimal Upkeep and Lower Maintenance



***The strongest reason for purchasing a condo is that all external maintenance is usually covered by the condo association, such as landscaping, pool maintenance, external painting, paving, plowing and more.***

**U.S. News**





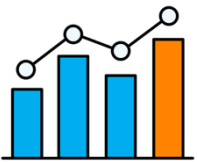
# How a Professional Supports Your Homeownership Goals

*It's easy to look up advice online, but nothing beats getting help from a real expert. Buying a home is a huge deal, so it's important to have the right people helping you out.*

## A good agent will:



**Explain the ins and outs of contracts.** When it comes to buying a home, you'll sign various disclosures and contracts as part of the process. Before you give any of these legally binding documents your autograph, your agent will help explain the terms and conditions.



**Keep you up-to-date on today's market conditions.** The real estate industry is complex and dynamic. Pricing, mortgage interest rates, and demand can change often. You need someone by your side who will keep you informed on the latest trends and what they mean for you.



**Serve as your advisor in the negotiation process.** Even after the contract is signed by the seller, there's a lot of room left for negotiating terms after the home inspection and the appraisal. Your agent will handle all the back-and-forth communication that comes with it.



**Give advice and share their experience.** Let's be honest, buying a home is emotional. When your offer isn't accepted, your must-haves aren't realistic, or they suspect something is wrong, you want someone who will be honest with you. Your agent's expert advice and know-how will bring you peace of mind.



# Let's Chat.

I'm sure you have questions about the real estate process, what to expect as a first-time buyer, and what's happening in the market too. I can help with all of those.

We'd love to talk with you about what you've read here and help you . Our contact information is below, and we look forward to working with you!



## The Galli Team

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