



IDEAL MORTGAGE
GROUP



HOMEBUYER



Handbook



Your Step-by-Step Guide to Homeownership



EQUAL HOUSING
LENDER

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INTRODUCTION

Welcome to the first step of your journey to homeownership! This guide is designed specifically for homebuyers who may feel overwhelmed by the process or unsure where to start. Buying a home is a big milestone, and with the right knowledge, it can be an exciting and empowering experience.

Who Is This Guide For?

- Individuals or families dreaming of owning their next home.
- Renters ready to stop paying someone else's mortgage and start building equity.
- Anyone who wants to understand the homebuying process in Pennsylvania and beyond.

Why Owning a Home Is a Great Investment

Owning a home isn't just about having a place to call your own—it's a smart financial move. Here are some key benefits:

1. **Building Equity:** With each mortgage payment, you own more of your home.
2. **Tax Benefits:** You may qualify for deductions on property taxes and mortgage interest.
3. **Long-Term Stability:** Your monthly mortgage payment remains steady, unlike rent that can increase.
4. **A Place That's Truly Yours:** Paint the walls, plant a garden, or renovate—it's your home to customize.



INTRODUCTION

Quick Tips for Getting the Most Out of This Guide

- **Take Your Time:** You don't have to read it all at once. Focus on the sections most relevant to you.
- **Follow the Steps:** The guide is organized to take you through the process step-by-step.
- **Use Resources:** From checklists to tips, everything here is created to make your journey smoother.
- **Reach Out for Help:** As a local loan officer, I'm here to help answer questions and guide you through financing options.

Let's get started on the path to your new home.

Wishing you blessings and prosperity,

Susan Wood
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FINANCIAL

Understanding

Before starting your home search, it's crucial to assess your financial situation. Knowing what you can afford and how to prepare will help you feel confident throughout the homebuying process.

How Much Home Can You Afford?

To determine this, consider:

1. Your Income: How much money you bring home each month.
2. Your Debt: Lenders calculate your debt-to-income (DTI) ratio to ensure you can handle mortgage payments.
3. Your Savings: This includes your down payment, closing costs, and reserves for unexpected expenses.

Tips for Budgeting for a Down Payment and Closing Costs

- Down Payment:
 - FHA loans often require as little as 3.5%.
- Conventional loans may require 3-5% (or more if you want to avoid mortgage insurance).
 - USDA loans require 0% down payment, also requiring clean credit and low debt-to-income-ratios.

What's Included in Your Monthly Mortgage Payment?

Your monthly mortgage payment isn't just the loan amount—it includes:

1. Principal: The amount borrowed.
 2. Interest: The cost of borrowing money.
 3. Taxes: Property taxes (usually escrowed and paid by your lender).
 4. Insurance: Homeowners insurance, plus private mortgage insurance (PMI) if required.
- Example: A \$250,000 home might have a \$1,500 monthly payment that includes all these factors.



FINANCIAL

Understanding

Your credit score plays a major role in qualifying for a loan and securing the best interest rate.

What's a Good Score?

- 620+: Generally required for most loan programs.
- 500-619: May qualify for FHA loans, though higher down payments might be required.
- 740+: Typically qualifies for the best interest rates, saving you thousands over the life of your loan.

Tips to Improve Your Credit

1. Check Your Credit Report:

- Request a free credit report from [AnnualCreditReport.com](https://www.annualcreditreport.com) to identify errors or areas for improvement.
- Dispute inaccuracies with the credit bureaus.

2. Pay Down Debt:

- Focus on reducing high-interest credit cards first.
- Keep your credit utilization below 30% of your credit limit.

3. Make Payments on Time:

- Paying bills by the due date is one of the biggest factors affecting your credit score.
- Set up reminders or automatic payments to avoid missed due dates.

4. Avoid New Credit:

- Don't open new credit cards or take out loans before applying for a mortgage—it could lower your score.

5. Keep Old Accounts Open:

- Length of credit history impacts your score. Even if you no longer use an account, keeping it open can help.

6. Work with a Credit Counselor if Needed:

- Nonprofit organizations can help you create a personalized plan to improve your credit.

Bonus Tip

Ask your lender for a credit simulation report to see how small changes (like paying down a specific card) can boost your score in the short term.



Loan Programs & ASSISTANCE

Choosing the right loan program is one of the most important steps in buying your first home. Each program offers unique benefits, and understanding your options can save you time and money.

Overview of Popular Loan Types

1. FHA Loans:

- Low down payment requirement (as low as 3.5%).
- More flexible credit score requirements (starting at 500 with a 3.5% down payment).
- Ideal for first-time homebuyers with limited savings or credit challenges.

2. Conventional Loans:

- Minimum down payment of 3% for first-time buyers.
- Requires a credit score of at least 580.
- No credit-score options are available!
- Lower long-term costs if you can put down at least 20% to avoid private mortgage insurance (PMI).



3. VA Loans

- Exclusive to veterans, active-duty service members, and eligible spouses.
- No down payment required, no PMI, and competitive interest rates.

4. USDA Loans:

- Designed for buyers in eligible rural areas.
- No down payment required, but income limits apply.



Loan Programs & ASSISTANCE

Pennsylvania offers several programs to help make homeownership more accessible:

1. PHFA Keystone Home Loan Program

- Competitive fixed interest rates.
- Available to first-time buyers, Veterans, and those purchasing in targeted areas.
- Can be paired with PHFA's down payment and closing cost assistance options.

2. PHFA Keystone Flex Loan Program

- Flexible for borrowers who may not meet Keystone Home Loan requirements.
- Ideal for those with nontraditional financial situations.

3. KFIT (Keystone Forgivable in Ten)

- Provides forgivable down payment assistance over a 10-year period.
- Great for buyers who plan to stay in their home long-term.

4. Tenfold

- **York County:** Assistance programs for low-to-moderate income families in York, including grants and loans.
- **Lancaster County:** Assistance for low to moderate income families in Lancaster, including grants and loans.

5. Adams County Housing Alliance

- Provides no-interest loans for homebuyers in the Adams County area. Must work for an Adams County employer.



Loan Programs & ASSISTANCE

How to Choose the Best Loan Option for Your Needs

- Evaluate Your Financial Situation: Know your credit score, savings, and monthly budget.
- Consider Your Future Plans: Will you stay in the home long-term, or is this a stepping stone?
- Ask Your Lender About Assistance Programs: Many buyers qualify for down payment or closing cost help without realizing it.



HOMEBUYING

Explained

#1: Getting Pre-Approved

Before you start shopping, get pre-approved for a mortgage to know your budget and show sellers you're serious.

What You'll Need:

- Proof of income (pay stubs, W-2s, tax returns).
- Proof of assets (bank statements, retirement accounts).
- Credit information (your lender will pull this for you).
- Employment verification.

Why Pre-Approval Matters

- Helps narrow your search to homes in your price range.
- Gives you an edge in competitive markets.



HOMEBUYING

Explained

#2: Choosing the Right Real Estate Agent

A knowledgeable agent is your biggest ally in finding the perfect home.

- What to Look For:
- Experience in your desired area and price range.
- Strong communication skills and a good reputation.
- Someone who listens to your needs and negotiates on your behalf.
- Tip: Ask for referrals from friends, family, or your loan officer to find a great agent.

#3: Searching for Your Dream Home

- Set Priorities:
 - Must-haves: (e.g., number of bedrooms, location, school district).
 - Nice-to-haves: (e.g., garage, large yard, finished basement).
- Stay Realistic: It's rare to find a home with 100% of your wishlist.
Focus on what matters most.



HOMEBUYING

Explained

#4: Making an Offer

Once you've found the home you love, it's time to make an offer.

- Key Terms to Know:
- Purchase Price: The amount you're offering to pay.
- Earnest Money Deposit: A small deposit to show you're serious (credited toward your down payment at closing).
- Contingencies: Conditions that must be met before the sale is final (e.g., home inspection, financing).
- Tip: Your agent will help you craft a competitive offer based on market conditions.

#5: Home Inspection and Appraisal

- Home Inspection: A licensed inspector evaluates the property's condition (e.g., roof, plumbing, electrical).
 - Tip: Don't skip the inspection, even for a new home. It can uncover hidden issues.
- Appraisal: Your lender orders this to confirm the home's value matches the purchase price.



HOMEBUYING

Explained

#6: The Loan Approval Process

After your offer is accepted:

- Your lender will finalize your loan application.
- Be prepared to provide additional documents as needed.
- Avoid big purchases or financial changes—they could jeopardize your approval!



CLOSING ON YOUR NEW HOME

You're almost there! Closing is the final step in the homebuying process. It's where you officially become a homeowner. Here's what to expect and how to prepare for a smooth closing day.

What are Closing Costs?

Closing costs are fees and expenses due at the end of the homebuying process. They typically range from 2-5% of the home's purchase price.

Examples of Closing Costs:

- **Loan Origination Fee:** Charged by the lender for processing your loan.
- **Appraisal Fee:** Payment for the property appraisal.
- **Title Insurance and Search:** Protects you and the lender from title issues.
- **Escrow Fees:** Covers taxes and homeowners insurance held by your lender.
- **Prepaid Interest:** Covers interest due before your first mortgage payment.
- **Recording Fees:** Paid to your local government to record the sale.

Tip: Ask your lender for a Loan Estimate early in the process, so you know what to expect.



CLOSING ON YOUR NEW HOME

What to expect at the Closing Table

On closing day, you'll meet with the seller, your agent, the title company, and sometimes your lender. Here's what happens:

1. Review Documents:

- You'll go over all the loan and title paperwork.
- Examples include the Closing Disclosure, Loan Agreement, and Deed.

2. Sign the Papers:

- Be ready to sign a stack of documents—it's normal!
- Take your time and ask questions if anything is unclear.

3. Pay Closing Costs:

- You'll wire funds or provide a cashier's check for the total amount due.
- Ensure your funds are in place beforehand.

4. Receive the Keys:

- Once the transaction is finalized, you'll get the keys to your new home!



CLOSING ON YOUR NEW HOME

Common Closing Day Hiccups & How To Avoid

1. Last-Minute Document Requests:

- **How to Avoid:** Respond promptly to your lender and title company in the weeks leading up to closing.

2. Funding Delays:

- **How to Avoid:** Ensure your down payment and closing funds are ready and sent according to instructions.

3. Errors in Paperwork:

- **How to Avoid:** Review your Closing Disclosure ahead of time and double-check all details.

4. Home Condition Issues:

- **How to Avoid:** Do a final walkthrough of the property before closing to confirm it's in the agreed-upon condition.

Celebrate!

Once everything is complete, you're officially a homeowner. Take a moment to celebrate this huge milestone—you've earned it!



BONUS

This section includes practical tools and tips to help you navigate the homebuying journey and settle into your new home.

Checklist for First-Time Homebuyers

Use this step-by-step checklist to stay organized:

1. Get Pre-Approved:
 - Gather income, asset, and credit documents.
2. Hire a Real Estate Agent:
 - Look for experience, good reviews, and local expertise.
3. Set a Budget:
 - Determine your price range and factor in all costs (down payment, closing costs, monthly payment).
4. Start House Hunting:
 - Make a list of must-haves and tour homes that fit your budget.
5. Make an Offer:
 - Work with your agent to negotiate terms.
6. Complete Inspections and Appraisal:
 - Schedule a professional home inspection and allow the lender to order an appraisal.
7. Finalize Your Loan:
 - Submit any final documentation to your lender and receive your clear-to-close.
8. Close on Your Home:
 - Review and sign paperwork, pay closing costs, and get the keys!



BONUS

Frequently Asked Questions

Here are some common questions first-time homebuyers often ask:

1. How much should I save for a down payment?
 - It depends on your loan type, but aim for at least 3 - 5% of the home's price.
2. What credit score do I need?
 - A score of 580+ is ideal for conventional loans, while FHA loans may allow scores as low as 500 (with larger down payment).
3. Can I use gift funds for my down payment?
 - Yes! Many loan programs allow gift funds from family members to cover part.



THANK

You



Buying your first home is a huge milestone, and I hope this guide has made the process feel more manageable and exciting.

Homeownership is about more than just a house—it's about building your future, and I'm honored to help you take this step. If you have any questions or need more guidance, I am here to help.

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