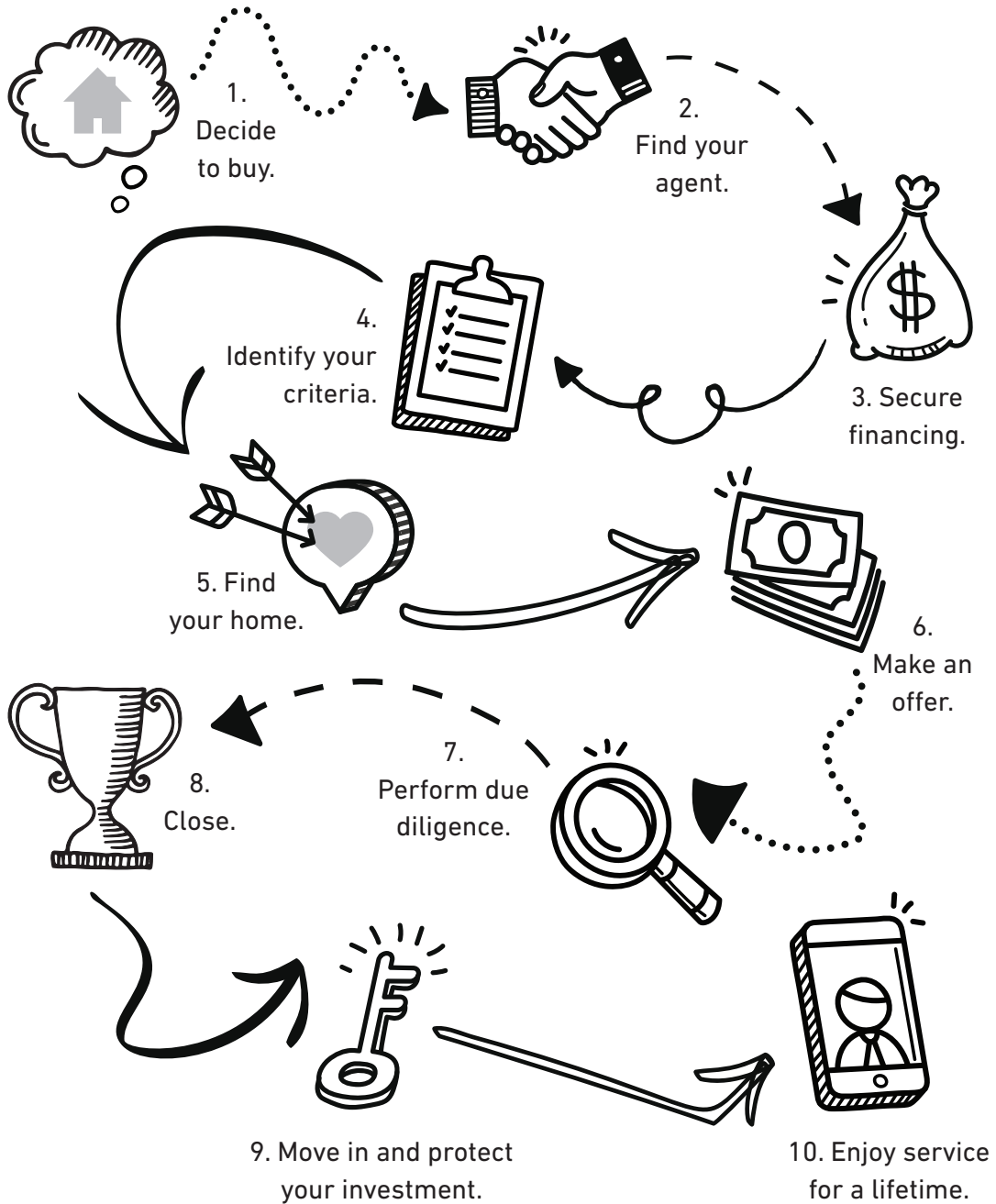


The Ten Steps to Buying a Home



Understanding Equity: Paying Off Your Home

Your first step toward building equity is your down payment. After that, a portion of your monthly payments slowly pay off what you owe toward your mortgage. This means you own more of your home's value. Once you finish paying off your house, you own all of its initial value plus any appreciation.



Closing Day

Equity buildup begins



Year 22

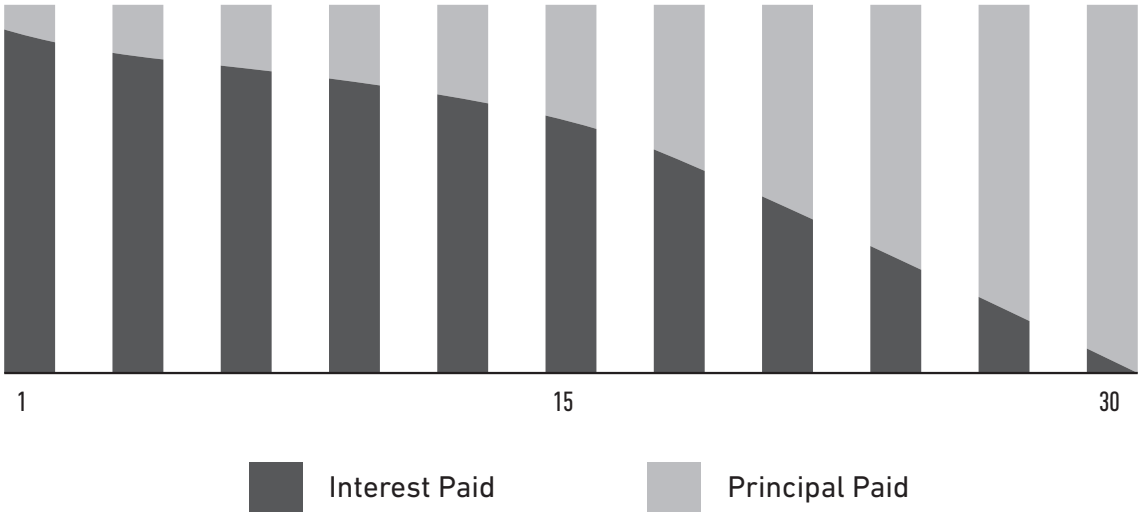
Home is half paid off



Year 30

Home is paid off

Interest vs. Principal

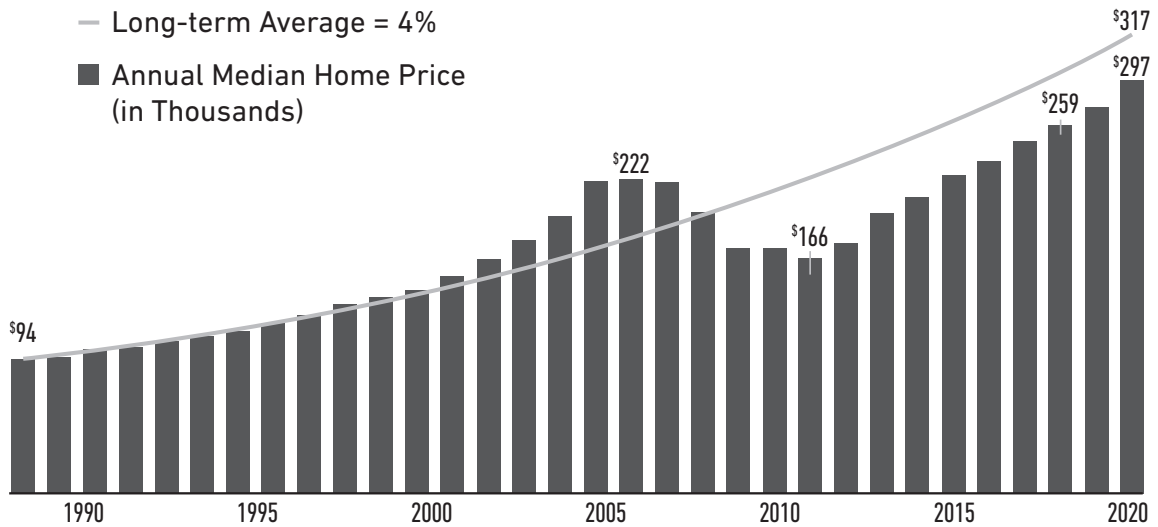


Understanding Equity: Home Appreciation



	Closing Day	Year 22	Year 30
Purchase Price:	\$250,000	\$250,000	\$250,000
Appreciation (4%):	\$0	\$366,179	\$560,849
Current Home Value:	\$250,000	\$616,179	\$810,849
Remaining Debt:	\$200,000	\$97,855	\$0
Total Equity:	\$50,000	\$518,324	\$810,849

Home Prices (Annual)



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Understanding the Impact of Interest Deductions



Margot's monthly mortgage payment is \$1,208. This means, her payments total \$14,496 annually. However, a percentage of that monthly payment is purely interest, which she can write off as a tax deduction in the United States. For instance, in her first year, \$11,008 of her annual payment was interest. Depending on where she lives and what tax bracket she's in, Margot could save between \$3,000 and \$4,000 in taxes, bringing her annual house payments to \$10,496–\$11,496.




Margot's friend Jacob rents because he doesn't think he can afford to buy just yet. He pays \$1,000 in rent per month—that's \$12,000 a year in housing expenses. And, unlike Margot, none of it is tax deductible. So, he's paying around \$1,000–\$2,000 more a year, and he's not even building any equity.





Interest Rates Impact How Much House You Can Afford

If you can afford a \$1,200 monthly mortgage payment (not including taxes and insurance), a low interest rate can allow you to afford a higher-priced home. Your rate will also determine how much interest you pay over the life of your loan.

Loan Amount	Interest Rate	Monthly P&I Payment	Total Interest Paid Over 30 Years
\$150,000 	8%	\$1,200	\$282,000
\$200,000 	6%	\$1,200	\$232,000
\$250,000 	4%	\$1,200	\$182,000



Do the Math: Find the Right Mortgage Term

	15-Year	30-Year	30-Year with Additional \$200 Monthly Principal Prepayment
Amount Borrowed	\$230,000	\$230,000	\$230,000
Interest Rate	4%	4%	4%
Monthly Payment	\$1,701.28	\$1,098.06	\$1,298.06
Interest Paid Over Life of Loan	\$76,230.80	\$165,299.86	\$118,379.07
How It Stacks Up	A 15-year mortgage requires a higher monthly payment but dramatically reduces the amount you pay over the life of the loan. Plus, these mortgages usually come with a lower interest rate.	The 30-year term is the most common in the industry. It offers reasonable monthly payments and a reasonable payoff time.	Voluntary prepayment on a 30-year mortgage essentially converts it to a 20-year while allowing you the flexibility to drop to the lower payment level if necessary.

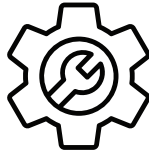
Be Ready for Closing Costs

Lender's fees and other closing costs in the United States can add 3–5% to your home's purchase price.



Likely Lender Fees

1. Origination fee (“points”)
2. Administration fee
3. Application fee
4. Broker or lender fee
5. Commitment fee
6. Document preparation
7. Underwriting fee



Likely Third-Party Fees

1. Credit report
2. Home appraisal
3. Pest inspections
4. Recording fees
5. Settlement fees
6. Survey
7. Tax and insurance prepayment
8. Title search
9. Title insurance
10. Courier services



And Always Ask

“What other costs will I be responsible for to get our home closed?”

Analyze What You Want and What You Need in a Home's Features and Amenities

Features

- Age: Do you prefer historic properties or newer ones?
- Style: Do you have a special preference for ranches, bungalows, or another style of construction?
- Bedrooms: How many?
- Bathrooms: How many? Are they updated?
- Living and dining areas: A traditional, formal layout or a more open, contemporary plan?
- Stories: How many?
- Square feet: How much space?
- Ceilings: How high?
- Kitchen: How big? Recently updated? Open to the other living areas?
- Storage: Big closets, a shed, an extra-large garage?
- Parking: A garage or carport? Room for how many vehicles?
- Extras: Attic or basement?

Amenities

- Office
- Play/exercise room
- Security System
- Sprinkler
- Workshop/studio
- In-law suite
- Fireplace
- Pool
- Hot tub
- Sidewalk
- Wooded lot
- Patio, deck, or porch
- Laundry room

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What You See... and What Your Agent Knows

YOUR JOB is to see how the home stacks up to your wants and needs.

Questions YOU answer:

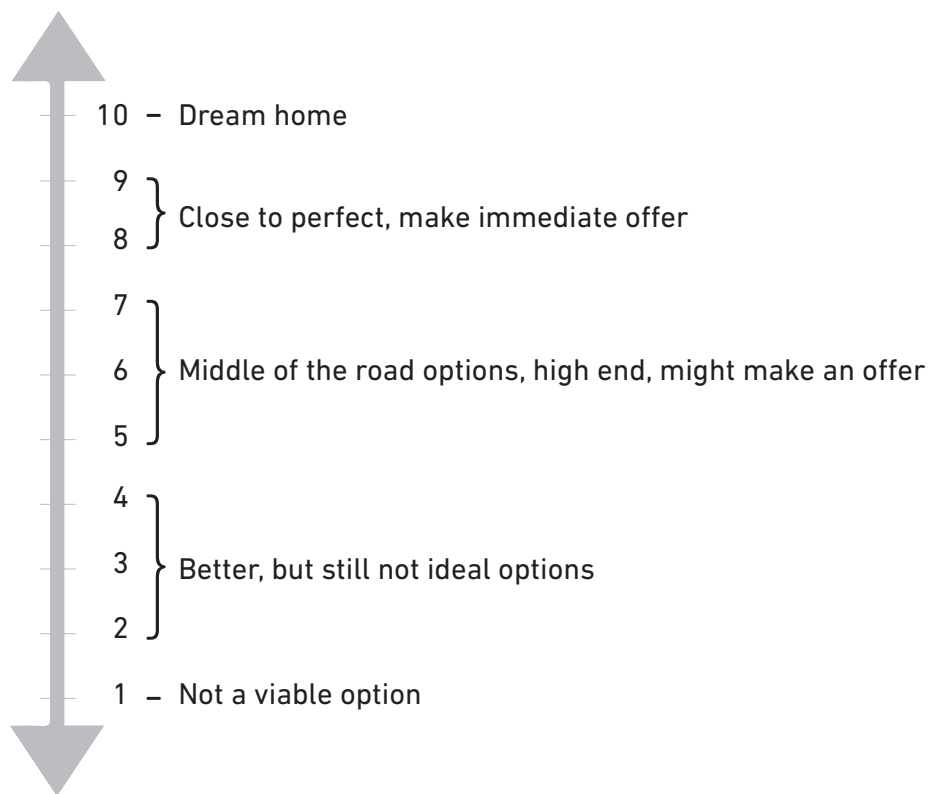
1. Does it have the right space and layout for my lifestyle?
2. Does it offer value to me?
3. Is the location convenient to my job and my kids' schools?
4. Does it have features and amenities I like?

YOUR AGENT'S JOB is to know how the home stacks up to its competition.

Questions YOUR AGENT answers:

1. Does the size and layout compare well to others around it?
2. Does it offer value in relation to other homes around it?
3. Will the location hold its value?
4. Does it show signs of major maintenance or structural concerns?

A Possible System for Ranking Homes



Understanding Pricing

Welcome to the Grasslands, a quiet neighborhood built in the 1960s. Most homes here have three bedrooms, range in size from 1,500 to 1,750 square feet, and have been selling between \$200,000 and \$250,000. You want to make an offer on 345 Cardinal Lane. What should your offer be?



123 Eagle Pass

Three bedrooms
1.5 baths
1,550 sq feet
No recent updates

**Sold last week for
\$129/sq foot, or
\$200,000**



345 Cardinal Lane

Three bedrooms
2 baths
1,650 sq feet
Modest updates

**You offer
\$136/sq foot, or
\$225,000**

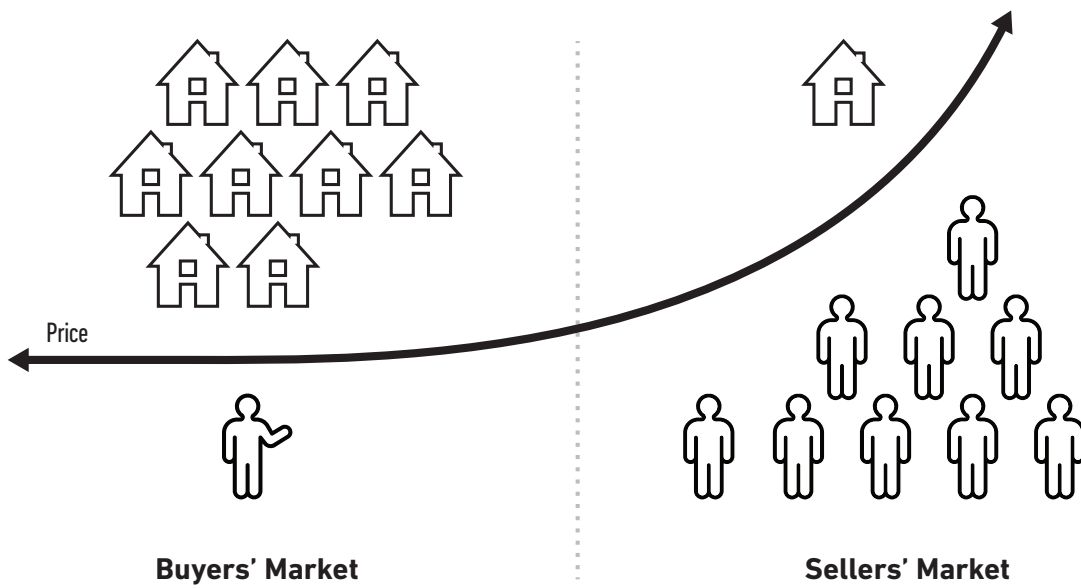


223 Robin Lane

Three bedrooms
2.5 baths
1,725 sq feet
Luxury updates

**Sold last week for
\$145/sq foot, or
\$250,000**

Buyers' vs. Sellers' Market



Good Home Habits

Keeping It Clean

Perform routine maintenance on your home's systems, depending on their age and style.

In general, your list should include the following:

1. Clean your gutters once a year.
2. Change your air filters every two to three months or when they appear dirty.
3. Have your heating and air-conditioning professionally serviced once a year.
4. Change the batteries in your smoke detectors once a year.
5. Read your appliance manuals for recommended upkeep, such as changing your refrigerator's water filter.

Keeping an Eye on It

Watch for signs of leaks, damage, and wear. Fixing small problems early can save you big money later.

Items to be aware of include:

1. Cracks in the ceiling or walls could indicate foundation problems.
2. Water stains indicate leaks, which need to be fixed as soon as possible.
3. Eroding caulk around doors and windows can let in moisture that causes dangerous mold growth inside your walls.
4. Buckling or faded shingles indicate your roof is nearing the end of its life.
5. Tree branches scraping your roof can damage shingles and allow pests access to your home.
6. Be on the lookout for signs of pests common to your area.

Your Agent, Your Team

KEEPING TRACK OF WHO DOES WHAT

When it comes to buying a house, you aren't just working with one person. In fact, in a lot of cases you'll end up working with an entire team of people. If you find yourself scratching your head trying to figure out who is who, this worksheet will help you keep track of everyone's name and information.

Your Agent	<input type="text"/>	Seller's Agent	<input type="text"/>
Email	<input type="text"/>	Email	<input type="text"/>
Phone	<input type="text"/>	Phone	<input type="text"/>
Other	<input type="text"/>	Other	<input type="text"/>
Lender	<input type="text"/>	Appraiser	<input type="text"/>
Email	<input type="text"/>	Email	<input type="text"/>
Phone	<input type="text"/>	Phone	<input type="text"/>
Other	<input type="text"/>	Other	<input type="text"/>
Inspector	<input type="text"/>	Closing Agent	<input type="text"/>
Email	<input type="text"/>	Email	<input type="text"/>
Phone	<input type="text"/>	Phone	<input type="text"/>
Other	<input type="text"/>	Other	<input type="text"/>
Contractor	<input type="text"/>	Insurance	<input type="text"/>
Email	<input type="text"/>	Email	<input type="text"/>
Phone	<input type="text"/>	Phone	<input type="text"/>
Other	<input type="text"/>	Other	<input type="text"/>

This can be a loan officer, mortgage broker, or mortgage banker

NOTES:

The Right Home: Wants and Needs

WRITE YOUR WANTS

Figuring out what we need starts with knowing what we want. In the space below, list all of your home wants. This can be anything from flooring preferences and location, to the number of bedrooms you'd prefer.

WHAT TO WHY

Examine the list above. What's the why behind your wants? Take a few minutes to figure out the underlying values that support your wants, and write them out below.

Values:

DIVIDE IT UP

Based on your values and what you feel you need, divvy up your wants into short-term and future needs.

Immediate:

Future:
