LH LENDING

TIPS FOR FIRST TIME HOMEBUYERS

Start saving for your down payment as early as possible

Even though there are many options that allow as low as a 5% down payment, it is significantly better to have more money up front than less. Be sure to know how much home you can afford before determining how much money you have to save. If you plan to only save 5% of your down payment, keep in mind that 5% of $200,000 is $10,000. In addition, putting down less than 20% may mean higher costs and paying for private mortgage insurance (PMI). Know how much down payment you need, set a goal, and work hard to reach that goal.

Check your credit score

Your credit score is one of the key factors in determining what type of mortgage and the interest rate for which you qualify. As soon as you know you may want to buy a home, begin work on your credit score. Dispute any errors on your credit report and get them resolved as quickly as possible. Also, do not open any new accounts within at least six months of applying for a mortgage.
You can request a free copy of your credit report and get valuable information about credit reports and credit scores on www.annualcreditreport.com.

Budget for closing costs

Whether you plan to pay for the closing costs up front or are planning to roll them into your mortgage, you need to have an idea of how much your closing costs will be. Be sure to do some research yourself and shop around and compare prices for certain closing expenses, such as homeowners insurance, home inspections and title searches. Also, never be afraid to ask the seller to pay for a portion of your closing costs or negotiating your real estate agent's commission. Closing costs typically run between 2%-5% of the total loan amount.

Budget for move-in costs

In addition to insurance, inspections, home title, real estate agent's commission, and all of the other costs involved in buying a home, many people forget that the actual moving process costs money. Be sure to save enough money for things such as costs for movers/moving trucks, and connection fees for utilities. Also other things such as cleaning supplies, food to restock your cabinets and refrigerator, new rugs, paint, and anything that you would like to change cosmetically to the home.

Know what type of property you want to buy

Now that you have your budget, it's time to consider what type of property you want to purchase. If you already have your heart set on a single-family home, then you know you'll be getting a lot more room with more maintenance. On the flip side of that, you may want to have less work and more amenities, which would steer you toward a condo or town-home.

Research Mortgage Options

Did you know that a 30-year, fixed rate mortgage isn't the only option for purchasing a home? If you can afford larger monthly payments, you can get a lower interest rate with a 20-year or 15-year fixed loan. Or you may prefer an adjustable-rate mortgage, which is riskier but typically has a low start rate, which will be fixed for the first 5, 7 or 10 years depending on the loan program you select, and will then adjust annually up to certain rate caps. Your monthly payment may increase at the time the interest rate adjusts.

Get conditionally approved

Many realtors will not show you homes without a pre-approval letter these days. The pre-approval process shows your realtor how much home you can afford. It also proves to the sellers that you're serious about purchasing a home, which can give you a leg up over the competition if they do not have a pre-approval letter.

Hire the right realtor

Buying a home is stressful enough without having to do your realtor's job. You need to hire someone who you can get along with and who will work for you! The right realtor should know exactly what you're looking for, take you to open houses, and schedule home viewings around your schedule. Consider the market your realtor specializes in and understand their credentials. Many realtors have certifications that may be attractive and suit your needs.

Stay under the amount you were conditionally approved for

Understand that while you can technically buy a home for your conditional approval amount, it is the ceiling of your limit. Instead of maxing out that amount, leave some room for unexpected expenses.

Be prepared to compromise

Don't get caught up in the paint color, the blind choices, or the terrible wall paper choice. These things are easily and inexpensively changed after buying a home. Think carefully about what is a need and what is a want when negotiating. You NEED to make sure the seller replaces the broken air conditioner, you WANT the color in the living room to be almond instead of yellow.

Make a strong offer, but prepared to negotiate

Your realtor should be experienced and will guide you through the negotiation process. A lot can be up for negotiation in the homebuying process, which can result in major savings. Are there any major repairs you can get the seller to cover, either by fully handling them or by giving you a credit adjustment at closing? Is the seller willing to pay for any of the closing costs? Will it be mutually beneficial to you and the seller to either close sooner or later than normal? If you're in a buyers market, you may find the seller will bargain with you to get the house off the market. During negotiations try to keep your emotions in check and not take things personally, keeping in mind that at some time in the future your role may be reversed and as a seller you will want to maximize the price you can get for your home.

Don't forget homeowners and flood insurance

Before you close on your new house, your lender will require you to buy homeowners insurance. Shop around to compare for the best price offering the most coverage with a deductible that makes sense for you. (Most loan programs require a maximum deductible, so check with your loan officer to make sure you are getting sufficient coverage for your loan.) Keep in mind that homeowners insurance is not the same as flood insurance. Even if flood insurance is not required for your property, consider the peace of mind offered for the low annual cost. Note that most flood insurance policies only cover your main home structure (not detached buildings) and that contents coverage is typically an optional add-on.

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DOES YOUR MONTHLY BUDGET HAVE ROOM FOR A MORTGAGE?

Use this worksheet to give you an indication of your financial health when including a monthly mortgage payment and typical homeowner expenses. This worksheet will help you understand your total debt-to-income (DTI) ratio, which compares your earnings against monthly expense obligations. Mortgage lenders consider DTI ratio when determining the home loan amount you are eligible for and whether or not you already carry too much debt for a new loan.

- Your total housing expense, including taxes and insurance, should not exceed 31% of your gross income
- Keep your debt at 43% or less of your gross monthly income to show lenders you can control your overall spending

If your monthly budget results in a negative sum, then you should take the time to re-evaluate your spending habits, debt and home financing budget. NOTE: See other pages for Tips for First Time Homebuyers.

GROSS MONTHLY INCOME (pre-tax)	
Earner #1	
Earner #2	
Child Support (you receive)*	
Other Income	
Total	$ 0.00

* you are not required to disclose receipt of alimony, child support, or other separate maintenance, unless you would like us to consider it in our decision

MONTHLY HOUSING EXPENSES (use proposed amounts if buying)	
Mortgage Payment	
Property Taxes	
Home Owners Insurance	
Home Owners Association Dues	
Total	$ 0.00
Percent of Income	0.0%

DEBTS (monthly payments)	
Proposed Housing Expense	$ 0.00
Car Payment/Lease	
Child Support (you pay)*	
Student Loan(s)	
Credit Card (s)	
Home Equity Loan/Line of Credit	
Other Real Estate Owned	
Other (includ. co-signed loans)	
Total	$ 0.00
Debt to Income Ratio	0.0%

*you are required to disclose any child support payments you pay each month, as this is an indebtedness that is factored into your DTI

NET MONTHLY INCOME (take home pay)	
Earner #1	
Earner #2	
Child Support (you receive)*	
Other Income	
Total	$ 0.00

ADDITIONAL MONTHLY EXPENSES	
Phone/Cable/Internet	
Gas/Electric	
Water	
Cell Phone	
Groceries	
Dining/Take-Out	
Gas (Car)	
Car Maintenance	
Auto Insurance	
Health/Medical Insurance	
Life Insurance	
Medical/Dental/Vision*	
Clothing	
Child Care/Tuition	
Recreation/Vacation	
Entertainment (Movies, etc.)	
Personal Expenses (hobbies, etc.)	
Charitable Donations/Gifts	
Misc.	
Total	$ 0.00
Total Debt & Expenses	$ 0.00

*Not covered by insurance

CURRENT BUDGET OUTLOOK	
Total Income	$ 0.00
Total Debt Expenses	$ 0.00
Difference	$ 0.00