

BUY YOUR FIRST HOME IN ONE YEAR: A STEP-BY-STEP GUIDE

A real yard. Closets bigger than your average microwave. The freedom to decorate *however you darn well please!* Making the switch from renting to owning is exhilarating, but many rookie homebuyers find the process trickier to navigate than they expected.

Therefore, I created my **First-Time Homebuyer Checklist**. This 12-month timeline will help you sidestep common mistakes, like paying too much interest or getting stuck with the wrong house (Yep, it happens!).

12 Months Out:

- Check your credit score.** Get a copy of your credit report at www.annualcreditreport.com. The three credit bureaus (Equifax, Experian, and TransUnion) are each required to give you a free credit report once a year. A Federal Trade Commission study found one in four Americans identified errors on their credit report, and 5% had errors that could lead to higher rates on loans. Avoid last-minute bombshells by checking your score long before you're ready to make an offer. And work diligently to correct any mistakes.
- Determine how much you can afford.** Figure out how much house you can afford and *want* to afford. Lenders look for a total debt load of no more than 43% of your gross monthly income (called the debt-to-income ratio). This figure includes your future mortgage and any other debts, such as a car loan, student loan, or revolving credit cards.

There are plenty of calculators on the web to help you determine what you can afford. If you're pushing the limits, start reducing your debt-to-income ratio now.

- Make a down payment plan.** Many of us assume a mortgage require a 20% down payment. If you can swing it, do it. Your loan costs will be much less, and you'll get a better interest rate. If, however, you're not quite able to save the full amount, there are many programs that can help. FHA offers loans with only a 3.5% down payment, but they require mortgage insurance premiums, which will drive up your monthly payments. For additional information and resources, please visit [home buyer resources](#) on my website.

As you're planning your savings strategy, keep in mind that banks like you to "season" your money. That is, they like to see that you've had stable funds in your account for 60 to 90 days before applying for a loan. Don't worry: you can still use a financial gift from a family member or bonus received near the time you buy.

9 Months Out:

- Research lenders and REALTORS®.** Start interviewing REALTORS®, specifically buyer's agents. A buyer's agent will work in your best interest to find you the right property, negotiate with the seller's agent, and shepherd you through the closing process. Your agent also can be instrumental in finding a lender who is familiar with first-time home buyer programs.

Even better, look for a mortgage broker, who will shop for a competitive loan rate for you among multiple lenders, unlike a bank, which can only offer its own products.



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- Prioritize what you most want in your new home.** What is most important in your new home? Proximity to work? A big backyard? An open floor plan? Being on a quiet street? You'll make a much better decision on what home to buy if you focus on your priorities. If it's a joint decision, now is the time to work out any differences to avoid frustration and wasted time. Perhaps most important: know what trade-offs you're willing to make.
- Research neighborhoods and start visiting open houses.** Now is when the fun begins. Use property listing sites, such as www.realtor.com, to learn about neighborhoods, public transport, and cost of living. Another great resource is my Altos Market Report click the link to subscribe [Altadena, CA 91001](#) which allows you to research real-time market data in any zip code in the USA.
- Start visiting open houses to get an idea of what kind of homes are in your price range and which neighborhoods appeal the most. Seeing potential homes will also keep you motivated to continue reducing your debts and saving for your down payment.**
- Start a home maintenance account.** Speaking of saving, start the good habit now of putting a little aside each month to fund maintenance, repairs, and home emergencies. It's bad enough to have to call a plumber; It's worse if you're paying with a credit card and adding interest expense to the plumbing bill.

6 Months Out:

- Collect your loan paperwork.** Banks are very particular when it comes to mortgage loans, and they demand a lot of paperwork. Your lender will provide you a specific list of documents to provide but at minimum be prepared to provide:
 - W-2 forms — or business tax return forms if you're self-employed — for the last two to three years.
 - Personal tax returns for the past two to three years.
 - Your bank statements.
 - Brokerage account statements for the most recent two to four months.
 - Most recent retirement account statements, such as 401(k).

If you start collecting these documents now, it'll reduce the stress when it's time to get your loan. Bonus: Looking closely at your loan documents each month will also help you stay focused on saving for your down payment and keeping your debt-to-income ratio low.

3 Months Out:

- Get pre-approved for your loan.** At this point, if you've been following this timeline, your credit score, paperwork, and down payment should be on track, and your research on lenders and buyers' agents is done. Now it's time to start working with them. First, you'll need to get pre-approved for a mortgage.
- Make an appointment with your lender or mortgage broker and bring all your paperwork.** They will crunch the numbers and have your pre-approval usually within one or two days. It often makes sense to borrow less than the maximum the lender allows so you can live comfortably. Draft a budget that accounts for mortgage payments, insurance, maintenance, and everything else you have going on in your life.
- Start shopping for your new home.** Once you're pre-approved, the buyer's agent you've chosen will be able to target homes that meet your priorities in your price range. This way you won't be wasting time looking at homes that don't meet your needs or that you can't afford.



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- No new cars or big purchases!** Your pre-approval was granted based on your financial condition at the time you applied. All changes to your financial condition, debt, or employment status will affect your preapproval!

2 Months Out:

- Make an offer on a home.** It usually takes at least four to six weeks to close on a home. So, if you have a firm move-out date, allow enough time to deal with any hiccups that can delay closing.
- Your offer has been accepted!** This is what you are waiting to hear from your agent after submitting your offer, counter offers and negotiating with the seller. You are getting close but there is still a lot of work to complete over the next 30 to 45 days.
- Make your EMD.** In most contracts, within three days of acceptance you will be required to wire your **earnest money deposit** and open escrow.
- Get a home inspection.** One of the first things you'll want to do after your offer is accepted is to schedule a thorough inspection of the home. There are many unique inspections available, and you will want to discuss the options with your agent. You are responsible for the cost of these inspections, but it is important to complete your due diligence, so you know as much as possible about the property before making a final commitment.
- Request for repairs?** If the inspections reveal problems with the home that you feel the seller should be responsible for, you may send the seller a request for repairs or to credit you in escrow for cost of repairs. Your agent will discuss all your options with you prior to making this request.
- Contingencies to Remove.** In addition to your home inspection contingency, you will have others, including appraisal and loan contingencies, to remove by dates specified in your contract. Each of these is a critical step to complete in the escrow process and your real estate agent, mortgage advisor and escrow officer should provide you proper assistance.

In the Final Weeks:

- Get insurance for your new home.** Do not forget to secure insurance before closing. You'll need to supply proof of insurance prior to closing.
- Do a final walk-through.** Do a final walk-through of your new home, usually several days before closing, to make sure the home is in the condition you and the seller have agreed upon.
- Get a cashier's check or bank wire for cash needed at closing.** Make sure you get an exact amount of cash needed for closing. You'll get that number a few days before closing so you can secure a cashier's check or arrange to have the money wired. Regular checks are not accepted.
- Loan Approval.** Once your loan receives final approval, your loan documents will be sent to escrow, and they will make arrangements with you to sign your docs.
- Loan Funding – Close of Escrow.** In most cases, your loan will fund the next day and title will record the sale the following day. This is the official closing of escrow, and you are now able to take possession of your new home! Please know that your agent may not give you keys to your home until confirmation of recording has been received.

Congratulations! Welcome to Home Ownership.



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