



HOME BUYER GUIDE

Because everyone deserves a place to call home.



WELCOME

Buying a home is exciting. It's also one of the biggest financial decisions you'll make in your lifetime. At Embrace Home Loans, we've been helping people find the right loan for their specific needs and goals for over 40 years. We'll take you through every step of the process, providing valuable information, tips, and tools so you can make informed, smart decisions. **Let's get started.**

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OVERVIEW OF THE HOME BUYING PROCESS

1

PREPARE YOUR FINANCES AND CHOOSE A BUDGET. We'll start with a conversation to learn what's most important to you and how much you're comfortable spending. Together, we can determine a budget for your new home based on your credit, debt, income, and the amount you're comfortable paying every month

2

GET A PRE-APPROVAL. Learn the difference between a pre-qualification, pre-approval, and Approved to Move, which is a fully underwritten approval before you start house hunting

3

MEET WITH A REALTOR®. It's important to have a real estate professional with local expertise who understands what you're looking for and will guide you knowledgably through the purchase process

4

LET THE HOUSE HUNT BEGIN! This is the fun part. Create a list of your likes, dislikes, must-haves ... and start shopping. It's helpful to take photos and notes of each home you are considering so you don't forget the details or mix up one house with another

5

MAKE AN OFFER. Once you've found a home you love, it's time to make an offer. This is where your real estate agent's expertise can help you negotiate the strongest offer possible

6

THE CLOSING. On the day of your closing, you'll bring all the necessary documentation and sign a lot of paperwork. At the end, you will be given the keys to your new home!





UNDERSTANDING YOUR MORTGAGE PAYMENT

Your monthly mortgage payment will vary depending on certain factors, like the type of mortgage and amount of down payment, but there are **four main components**.

PRINCIPAL & INTEREST (P&I) Principal is the amount you pay each month to reduce the loan balance. Interest is the amount you pay each month to borrow money.

HOMEOWNERS INSURANCE & PROPERTY TAX

PRIVATE MORTGAGE INSURANCE (PMI) (if applicable)

HOMEOWNER'S ASSOCIATION OR CONDO FEES (if required)



CHOOSING THE RIGHT FINANCING

There are two types of mortgages to consider – a fixed rate and an adjustable rate.

With a **FIXED-RATE MORTGAGE**, your interest rate stays the same for the life of the loan, which means you can always rely on the same predictable payment.

With an **ADJUSTABLE-RATE MORTGAGE (ARM)**, your interest rate is set based on market rates, usually annually. While your initial interest rate may be lower, your rate and payment could increase quickly.

It is important to understand the trade-offs between a fixed-rate loan and an ARM. If you are planning to sell your home within a short period of time, you may want to consider an ARM. If you are settling in, a fixed-rate loan may make more sense.

The next thing to consider is your loan term. Most mortgages are available for various terms. The most common are 15- and 30-year mortgages.

A **shorter loan term** offers a lower interest rate but higher monthly payments, since you're paying it off over a shorter period of time. A **longer loan term**, such as 30-year, offers you lower monthly payments, but you pay more interest over the life of the loan.





TYPES OF LOANS

Embrace offers all types of loan programs to meet the needs of homebuyers in a variety of ways.

FHA LOANS

FHA loans are government backed mortgages insured by the Federal Housing Administration. They are one of the easiest types to qualify for and are ideal for first-time homebuyers and borrowers who have challenging credit.

Guidelines

- As little as 3.5% down payment
- FICO® Scores as low as 580 may qualify
- Down-payment and closing costs can sometimes be covered with gift funds
- Single-family homes, condos, multi-unit properties, and manufactured homes
- Private Mortgage Insurance (PMI) is required

CONVENTIONAL LOANS

Many homebuyers choose Conventional mortgages because they offer more flexibility, and the costs are often less expensive. If you have a solid credit score and little debt, they're a great option.

Guidelines

- As little as 5% down payment
- Requires minimum FICO® Score of 620
- Loan options for primary residence, second home, and investment property
- May require less documentation and therefore take less time to process
- Private mortgage insurance (PMI) is required if more than 80% of the home's value is financed

VA LOANS

VA loans are guaranteed by the Federal Government through the U.S. Department of Veterans Affairs (VA). They're more affordable than many other mortgages and allow you to buy or refinance with no down payment.

Guidelines

- No down payment required
- No monthly private mortgage insurance (PMI) required
- Financing for a primary home
- Applicant must be a veteran or spouse of a veteran
- 620 FICO® Score is typically required to qualify

USDA LOANS

Being surrounded by nature may bring you peace – and also a more affordable loan. With a USDA rural development mortgage, you'll have no down payment and a lower interest rate. Many suburban neighborhoods qualify.

Guidelines

- 100% financing in certain geographical areas
- Below market mortgage rates
- Low- and moderate-income households can qualify
- Low or no monthly private mortgage insurance (PMI)
- Must be owner-occupied primary residence
- Minimum FICO® Score of 620

Embrace offers various other loans which may fit your needs, including **Renovation loans, Jumbo loans, Bridge loans, and more.**





YOUR CREDIT SCORE

Your credit and credit score have a significant impact on your mortgage interest rate and the fees you pay. Credit scores are calculated using payment history, length of credit history, new credit, the types of credit used, and the amount of credit outstanding. Credit scores range from about 350 to 850, the higher the better.

PRE-APPROVALS

Before shopping for a home it makes sense to have a pre-qualification, pre-approval, or Approved to Move. **What's the difference?**

PRE-QUALIFICATION

A lender does a simple assessment of your financial situation based on your income, debt, assets, credit history, and down payment available. They estimate how much you might be able to borrow. However, this is not a guarantee that you will be approved for a loan.

PRE-APPROVAL

A pre-approval takes the pre-qualification process one step further. To get pre-approved, you need to complete a loan application. You will also need to provide supporting documentation, such as income verification, tax returns, bank statements, and credit history. The lender will provide a written commitment stating the amount they are willing to lend you.

APPROVED TO MOVE

Embrace's exclusive Approved to Move program gives you a fully underwritten approval before you shop for a home. It's virtually as good as a cash offer and can give you greater negotiating power when making an offer.





DOWN PAYMENT & CLOSING COSTS

DOWN PAYMENT This is your initial payment towards the purchase price of the home. It is typically a percentage of the total price. The amount you put down will affect your loan amount and interest rate. It's always best to make the largest down payment you are comfortable with.

CLOSING COSTS Most mortgage programs have closing costs. These include loan costs and other costs associated with your mortgage.

OTHER COMMON FEES:

Appraisal Fee – An appraisal will be required by a professional appraiser to determine the property's fair market value.

Credit Report Fee – This covers the cost of getting your credit report to assess your credit history. Your credit score is included in your credit report.

Title Services Fee and Title Insurance – A title search is required to make sure that the title to the property you want to buy is free and clear. Title insurance protects the lender from issues with the title that may not have been detected. Owner's title insurance may be purchased to protect you and your investment in the property.

Government Recording Charges – These are fees associated with recording the property at your local Registry of Deeds under your name and recording the mortgage or deed of trust.

Homeowners/Flood Insurance – These are charges for the insurance you must buy for the property to protect it from a loss, such as fire, floods and storm damage. You must pay the first year's premium in advance.

Initial Deposit for Your Escrow Account – This establishes your escrow account. Your escrow account is used to pay for homeowners insurance, property taxes and other charges, if applicable, as they become due.

Origination Charges – These are fees charged by a lender for preparing and submitting your completed loan application and underwriting your loan. as they become due.





CHOOSING THE RIGHT REAL ESTATE AGENT

Just as it's important to find a lender who is a good match for you, choosing the right real estate agent is important. A good agent knows their market and has the knowledge and experience to help you find the right home at the right price.

TIPS FOR FINDING THE RIGHT AGENT:

Ask family, friends, and colleagues for referrals. You want an agent that's a good fit and makes you feel comfortable.

Ask about fees and commissions and how they are determined and split with the seller's real estate agent.

Interview at least three candidates and compare their qualifications, understanding of the current market and your specific needs, and their communication style.

Ask an agent for references and check online real estate forums for reviews. Check the state's regulatory board for complaints made against an agent you're considering. If the agent works for a brokerage, check the Better Business Bureau for complaints.





FINDING YOUR HOME

Before you start house hunting, settle on a price range with your real estate agent. You can be a little flexible but try to only look at properties within that range. You don't want to fall in love with a home above your price range and sacrifice your financial freedom. Also, make a list of the features and functionality you want in your next home and share this list with your agent.

TIPS FOR FINDING THE PERFECT HOME FOR YOU AND YOUR FAMILY:

How long do you plan to be in this home and will it meet your needs going forward? Do you have room for a growing family? Can you be comfortable there in retirement?

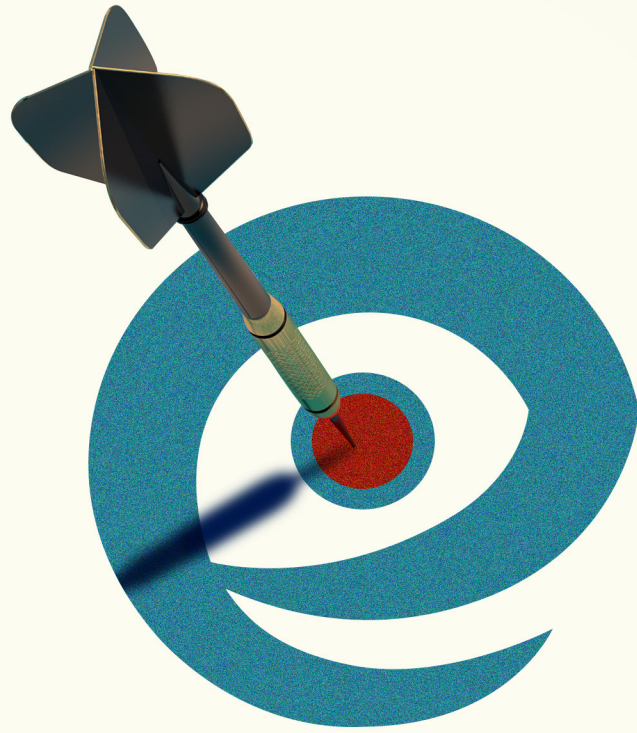
Will this purchase fit comfortably into your finances? Don't be house rich and cash poor. You'll want to enjoy your home without being financially strapped.

If you have or are planning to have children, research the local school system.

Check out local amenities such as shopping, dining, and entertainment. Local amenities that fit your lifestyle can make life that much more enjoyable.

Evaluate transportation, parking and access to work. A difficult commute or a difficult parking situation can make a home a poor choice.





MAKING AN OFFER

In today's market, demand is higher than the inventory offered, so you want to make the best offer possible. Discuss the offer in detail with your real estate agent but let the agent handle the negotiations. That is what they are there for. They have the knowledge and experience – and won't let their emotions get the best of them.

Embrace offers two programs, a **Property Value Certificate** and **Approved to Close Backup Cash Guarantee**, that can make your offer more attractive to the seller. Be sure to ask your lender for more information.

ONCE THE CONTRACT IS SIGNED AND YOUR OFFER IS ACCEPTED YOUR LENDER WILL:

- Reconfirm loan terms and provide initial loan disclosures and a loan estimate
- Order an appraisal and coordinate a home inspection with you and your real estate agent
- Forward loan documents to an underwriter for review and conditional loan commitment unless you have already been Approved to Move
- Ask you to provide additional or updated documentation during the approval process

Appraisal and inspection. Your trusted lender will schedule an appraisal of the property to ensure that its value is worth the price you're offering to pay. Your agent and lender will help you set up any necessary inspections.

Title search. Your lender will make sure the person selling the property has the right to sell it, and that you are getting all the rights to the property (the title).

Homeowners insurance. You should shop several insurance providers and compare policies to determine which company provides the best value.





DO'S AND DON'TS DURING THE PROCESS

Your lender will be looking for stability and consistency in your buying and spending habits during the review of your completed loan application. Here is a list of things to keep in mind:

DO

- Save pay stubs weekly
- Save credit card statements monthly
- Track gift funds
- Copy bonus checks
- Save tax receipts

DON'T

- Change jobs during the home buying process (unless it's a better job with significantly better pay)
- Apply for additional loans or credit cards
- Open, close, or change accounts
- Increase credit balances
- Miss payments on credit cards, bills, etc.
- Make major purchases like a car, appliances, etc.
- Co-sign a loan for someone else
- Omit debts or liabilities from your loan application





FINAL WALK-THROUGH

Within 24 hours of closing, you should do a final walk-through of the home before signing the final paperwork. Verify that agreed-upon repairs have been completed, there is no new damage, and nothing from the purchase agreement has been removed from the home.

THE CLOSING

The closing involves you and the seller signing the final documents and legally transferring the property to you. There is a lot of paperwork and dozens of documents to sign but don't feel rushed. Ask as many questions as you need to ensure that you understand the process and are comfortable.

COME PREPARED TO YOUR CLOSING AND EVERYTHING WILL GO SMOOTHLY.

- Bring a government issued photo ID.
- Bring a cashier's check or other official check.
- Be sure to confirm any state specific requirements in advance.
- Proof of insurance is required. This document or declaration should be provided by your insurance agent prior to closing.





CONGRATULATIONS! YOU ARE A HOMEOWNER.

We hope this guide helps to make your home buying experience exciting and successful. Embrace Home Loans is here to answer any questions and take you step by step through the entire process.

Ready to get started? Contact your local loan officer today.

embrace[®]
home loans