

The Homebuyer's Guide

Creating prosperity and stability through homeownership for current and future generations



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F E A R

I don't have
the money.



F A C T

There are a variety of
down payment options
available to you.



F E A R

I can't afford
my dream home.

F A C T

The best way to get
closer to your dream
home is to buy your
first home.



F E A R

I should wait until
the real estate market
gets better.



F A C T

There is never a
wrong time to buy the
right home.



STEPS TO HOMEOWNERSHIP

1

Decide to Buy



Decide to Buy

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A home is the
largest financial asset
most people have due to equity
and appreciation over time.

The average annual
appreciation rate
nationally has been

5–6%
since 1977.

At 3% annual appreciation, a home
purchased for \$375,000 would grow to
\$910,000 in 30 years.*

*The information provided is for illustrative purposes only. Local appreciation rates vary greatly.

Decide to Buy

Buying your first home is an emotional decision.

A home represents your personal tastes and provides a haven of stability and security for both you and your loved ones. It provides a pride of home ownership, because it's **yours**.

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H O M E I S W H E R E

the heart is.

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Decide to Buy

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It's also a rational decision.

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Grow wealth via equity buildup, debt pay down, and value appreciation. In the United States, you can take advantage of tax-deductible benefits such as property and mortgage interest write-offs.



Decide to Buy

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A home is an “accidental”
investment that creates
leverage opportunities.

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In a few years, you can use your
equity to trade up to a better home.

OR

You might consider using some
of your home equity to invest in a
rental property or a second home.

Decide to Buy

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If you took out a 30-year fixed-rate mortgage for **\$375,000** and made monthly mortgage payments of **\$2,250**, you'd pay **\$810,000** in mortgage and interest payments over the life of the loan.

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And after 30 years, you'd own a home with an appreciated value **potential of \$910,000.***

At 3% annual appreciation. Keep in mind that appreciation rates vary greatly based on local conditions.

Compare that to paying \$2,000 per month in rent over 30 years. Even if your landlord improbably never raised rent, you would still spend **\$720,000 and own nothing.**

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*The information provided is for illustrative purposes only. Local appreciation rates vary greatly.

STEPS TO HOMEOWNERSHIP

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Hire Your Team

Hire Your Team

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What an agent does for you

- Educates you about the market
- Analyzes your wants and needs
- Steers you to homes that fit your criteria
- Coordinates the work of other needed professionals
- Negotiates on your behalf
- Reviews paperwork and deadlines
- Solves any problems that may arise

Advantages of a buyer's representation agreement

- Sets mutual expectations in writing between you & your agent
- Commits your agent to getting you into the home you want, while you commit to working exclusively with your agent

Hire Your Team

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What a Loan Consultant does for you

- Educates you about mortgage financing
- Facilitates your loan from pre-approval through closing
- Advises you on loan programs that suit your needs
- Coordinates and works with your realtor, escrow and any other related parties
- Personal loan concierge throughout the process and for the life of your loan

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STEPS TO HOMEOWNERSHIP

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Secure Financing

Secure Financing

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Pre-approvals are particularly useful when home shopping because they:

- 1 **Begin the application process**
- 2 **Determine your actual budget**
- 3 **Identify you as a serious buyer**
- 4 **Check credit rating/issues**

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Getting a Pre-Approval

In order to issue a pre-approval, the lender will examine and verify the borrower's debt, income, savings, assets and credit report to ensure the borrower can repay the loan amount. Pre-approval states that you have a preliminary approval for the loan amount you are eligible to borrow.

A pre-approval is preliminarily approved based only upon the information we have received to date from you. All information must be verified prior to the issuance of a final loan approval. This is not an offer or commitment to lend nor does it guarantee a final loan approval. A final loan approval is subject to verification of the information you have provided and full underwriting review by Day 1 Mortgage.

Secure Financing



Documents you may need to provide:

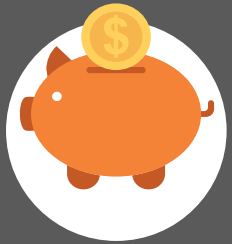
- Paystubs for current 1 month period
- Prior 2 years W-2 forms
- Federal tax returns with all schedules for prior 2 years
- Copy of valid state issued driver's license or government issued photo ID
- Bank statements for prior 2 months for all accounts, showing sufficient funds for down payment and closing costs



Secure Financing

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Determine what you can afford:



**How much
savings do
you have?**



**What is your
income?**



**What are
your debts?**

Take inventory of your monthly income versus your monthly debts, as well as your savings, to figure out how much you can put toward a down payment and how much you can afford to pay each month. I can assist you with running these numbers (pre-qualification).

Secure Financing

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These are the different components that make up your monthly mortgage payment:

Principal

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This is the actual amount of your loan.

Taxes

Many homeowners also pay their real estate taxes as part of their mortgage payment.

Interest

The interest is the amount a lender charges you for borrowing the money to buy the home.

Insurance

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Typical homeowner's insurance protects your home and property against fire or other damage.

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Secure Financing

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Review your credit

Knowing your credit is very important when determining if you qualify for a mortgage. This is the time when you should pull your credit report and take the necessary steps to ensure you have built up a sufficient credit history and that your score is the best it can be.

In most cases, the higher the credit score, the better the mortgage rate you'll qualify for.

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This will also leave you plenty of time to correct any errors or inaccuracies on your report which may cause problems in qualifying for a loan later.

Day 1 Mortgage is not a credit repair company or credit repair organization. Day 1 Mortgage does not guarantee improvement of your credit worthiness, credit standing, or credit capacity. Any actions you take regarding your personal finances are done at your discretion. Day 1 Mortgage does not guarantee that you will become eligible for a loan. This is not a commitment to lend or extend credit.

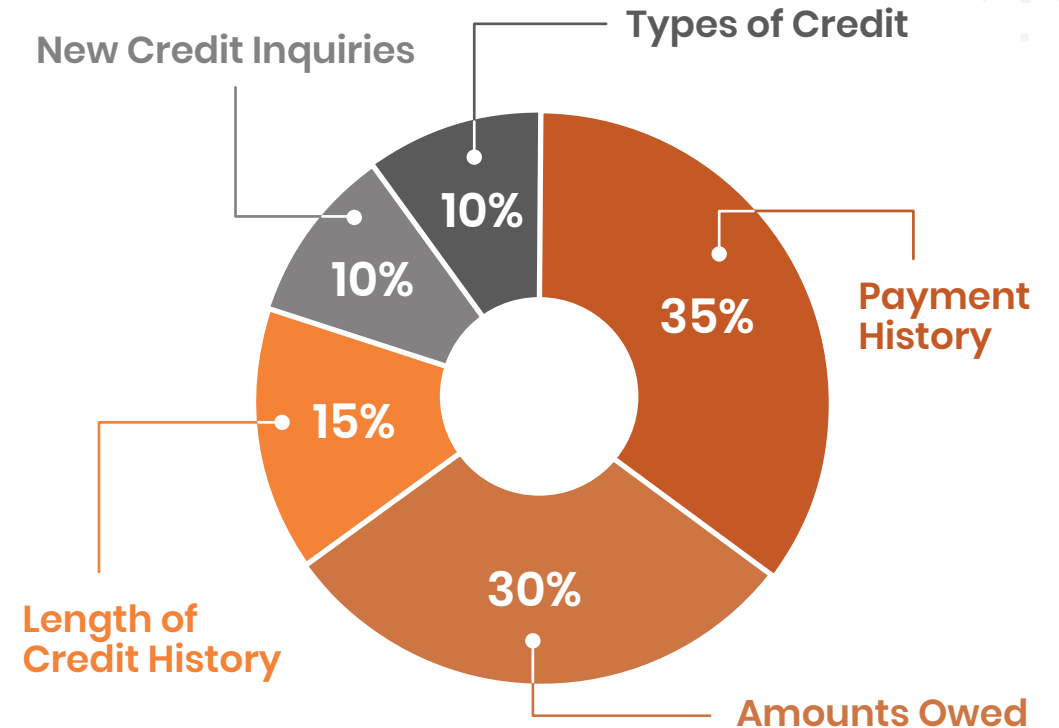


Secure Financing

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About your credit score

A loan consultant will run your credit report at the beginning of the loan process. This report is good for 90 to 120 days and will be used until it expires unless there is erroneous information that needs to be corrected. This will pull 3 scores from 3 credit bureaus. Your credit score is a 3-digit number ranging from 350-850.



Secure Financing

Which home loan is right for you?

Conventional

FHA

VA¹

Jumbo

USDA²

Renovation

¹ Subject to VA Eligibility. ² Subject to geographical restrictions.



Secure Financing

DO

- Stay current on your rent payments.
- Continue using credit as normal and stay current on all your existing accounts.
- Make sure to follow the correct procedures if you are receiving gift money. Cash gifts are not allowed. Gifts should be from a relative.
- Communicate with your team.

DO NOT

- Apply for/open/close/max out/pay off any credit card accounts.
- Make a major purchase.
- Consolidate your debt onto 1 or 2 credit cards.
- Change bank accounts or transfer any balances from 1 account to another unless you provide a clear paper trail.

STEPS TO HOMEOWNERSHIP

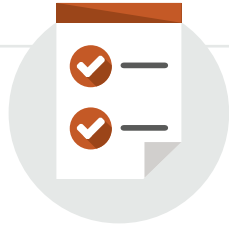
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Find Your Home

Find Your Home

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DEFINE

Define your home criteria—analyze your values, needs, and wants.



CONSULT

Consult with your agent and loan consultant to understand the rules of your market.

Find Your Home

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When viewing
a home, what
you consider
and what your
agent considers

A R E D I F F E R E N T

What You'll Look For

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Layout, space, a sense
of value, convenience
of location to work and
schools, and features
and amenities.

What Your Agent Will Look For

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How the home compares
in terms of size, layout,
and value to other homes
in the area. Property type,
as well as maintenance
and structural concerns.

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STEPS TO HOMEOWNERSHIP

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Make an Offer

Make an Offer

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Three components of an offer:

PRICE

Your offer must reflect the true market value of the home.

TERMS

Six basic categories address timing and financial considerations.

CONTINGENCIES

Often referred to as “conditions” that allow you to opt out of a deal if the home has a problem.

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Make an Offer

What's a fair price? Let's look at a pricing scenario.

Welcome to The Grasslands, a quiet neighborhood built in the 1960s. Most homes here have 3 bedrooms, range from 1,500–1,750 square feet, and have been selling for \$140k–180k. You want to make an offer on 345 Cardinal Lane, listed at \$165k.

What price will you offer?



123 Eagle Pass

3 beds / 1.5 baths

1,550 sq ft

No updates

On busy street

Average yard

“Handyman’s special”

**Sold last week for
\$90/sq ft or \$139,500**



234 Robin Lane

3 beds / 2.5 baths

1,725 sq ft

Renovated kitchen

Huge yard, new deck

On cul-de-sac

Finished basement

**Sold 2 weeks ago for
\$102/sq ft or \$175,950**



345 Cardinal Lane

3 beds / 2 baths

1,650 sq ft

Roof and kitchen
updated recently

Large yard

Quiet street

**You decide to offer
\$95/sq ft or \$157,000**

Make an Offer

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**Perform
Due
Diligence**

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Property Inspection

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Exposes any
structural or
hidden issues

Homeowners Insurance Policy

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Protects against
loss or damage

Make an Offer

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Pre-Closing Responsibilities

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- Appraisal, survey, title search, and title insurance
- Keeping yourself mortgage worthy!
- Doing a final walk-through of home
- Getting your settlement statement
- Getting your certified funds
- Obtaining evidence of insurance
- Transfer of clear title

Make an Offer

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ESCROW

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The escrow company is responsible for **facilitating** your transaction.

Escrow performs a **title search** to identify current liens and encumbrances.

Escrow acts as the **middleman** between the seller and buyer.

Escrow will issue a **title insurance policy** that covers clear title to the new owner.

STEPS TO HOMEOWNERSHIP

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Closing

Closing

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What does closing mean?

- Lender issues loan documents and sends them to escrow
- Escrow prepares the loan documents for the buyer and closing docs for the seller
- Buyer schedules an appointment to sign the loan documents with a Notary public
- Escrow will request loan funds from the lender and final deposit from the buyer
- Escrow will record the Deed of Trust with the county

Then the transaction is closed!

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—>>> **Thank you for your time**
and good luck with your home search!



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