



Banking for your family and your future.



## HOME BUYING GUIDE Easy Steps To Find:

Right home.  
Right rate.  
Right lender.  
Right protection.  
Right now.

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# 8 STEPS TO A NEW HOME.

Buying a home will be one of the biggest financial decisions you'll ever make – which can make the process feel intimidating and even stressful at times. While there is no right or wrong time to buy a home, you want to be sure that you're personally and financially ready to make the commitment. In this guide, we've broken down the homebuying process into 8 Steps to help make your journey to home ownership an easy, enjoyable process.



# STEP 1: Do Your Research

## Review Local Real Estate Websites, Newspapers And Magazines That Have Listings Of Homes for Sale.

Make a note of homes you're interested in and see how long they stay on the market. Check back often to see if there are any changes in the asking price. This will give you a sense of the housing trends in specific areas.

## Make a List of Non-Negotiable Features.

It's best to know exactly what you're looking for in your home from the very beginning. If you have a large family, you'll want to decide on the minimum number of bedrooms and bathrooms. Do you want a big backyard, or do prefer a townhouse or condo with little to no maintenance? These big picture questions will help save you time when you're ready to begin the process of buying your new home.

## Choose Your Ideal Location.

Believe it or not, the day of the week also affects the price you pay for a vehicle. Most people shop for and purchase vehicles on the weekend. When the dealership is full of shoppers and potential buyers, you're much less likely to get a lower price. Instead, shop and purchase early in the week – Monday to Wednesday – when the dealership is empty and the salespeople are anxious to jump start their sales for the week.





## STEP 2: How Much Home Can You Afford?

Before you even start to look for a home, you'll want to be reasonably certain you can afford the monthly payments. That's why it's imperative to get your finances in order ahead of time.

By identifying a realistic budget, you can narrow down your search by only looking for homes you can comfortably afford. This can also help prevent you from falling in love with a home that's unattainable.

### Here are some ways to determine how much home you can afford.

**Determine your debt-to-income ratio (DTI).** DTI is your monthly expenses versus your monthly cash intake. Start by adding together the total amount of bills you pay each month and divide that total by your gross monthly income. This will give you your Debt-to-Income Ratio, or percentage. Most mortgage lenders require a DTI no higher than 43-45%.

However, you should make this determination based on your own financial situation. Even if you qualify for a sizeable mortgage, it doesn't mean you should commit that much of your budget to housing. While your household income and regular monthly debts may be relatively stable, unexpected expenses and unplanned spending can impact your savings.

Mortgage lenders generally recommend people look for homes that cost no more than three to five times their annual household income if the home buyers plan to make a 20% down payment and have a moderate amount of other debt.





## STEP 2: How Much (cont.) Home Can You Afford?

### Check Your Credit Score.

A higher credit score is one of the most powerful tools for earning yourself a lower mortgage rate. The minimum credit score needed for most mortgages is typically around 620. If you have bad credit, avoid taking on new debt or making large purchases, and instead focus on maximizing your credit score and improving your DTI before you begin house hunting.

You don't need a top credit score to get a mortgage, but it will help you compete for the house you want and potentially give you more financing options.

### Save for a Down Payment.

When you've determined how much home you can afford, you can figure out how much you want to save for a down payment. A smaller down payment requires less money upfront, but means you'll have to pay private mortgage insurance (PMI). PMI protects the lender against any loss if you fail to pay your mortgage and is typically required with a down payment of less than 20%. A bigger down payment will often result in a lower interest rate and smaller monthly payments because you will owe less on the house.

### Be Prepared for Closing Costs.

Closing costs are processing fees you pay to your lender when you close on your loan, and typically range from 3-6% of the home's purchase price. Closing costs can cover things like your home appraisal, underwriting, title fees, recording fees and the first year of your home insurance premium payments.

**These expenses will vary depending on state laws, the cost of your home and type of loan you choose.**



## STEP 3: Which Loan Is Right For You?

Not all home loans are the same - and you may qualify for more than one loan type - so it's important to do your research to determine the most suitable option for your financial situation and home ownership goals. Whether you're a first time homebuyer, downsizing or refinancing will have an impact on the type of loan you choose.

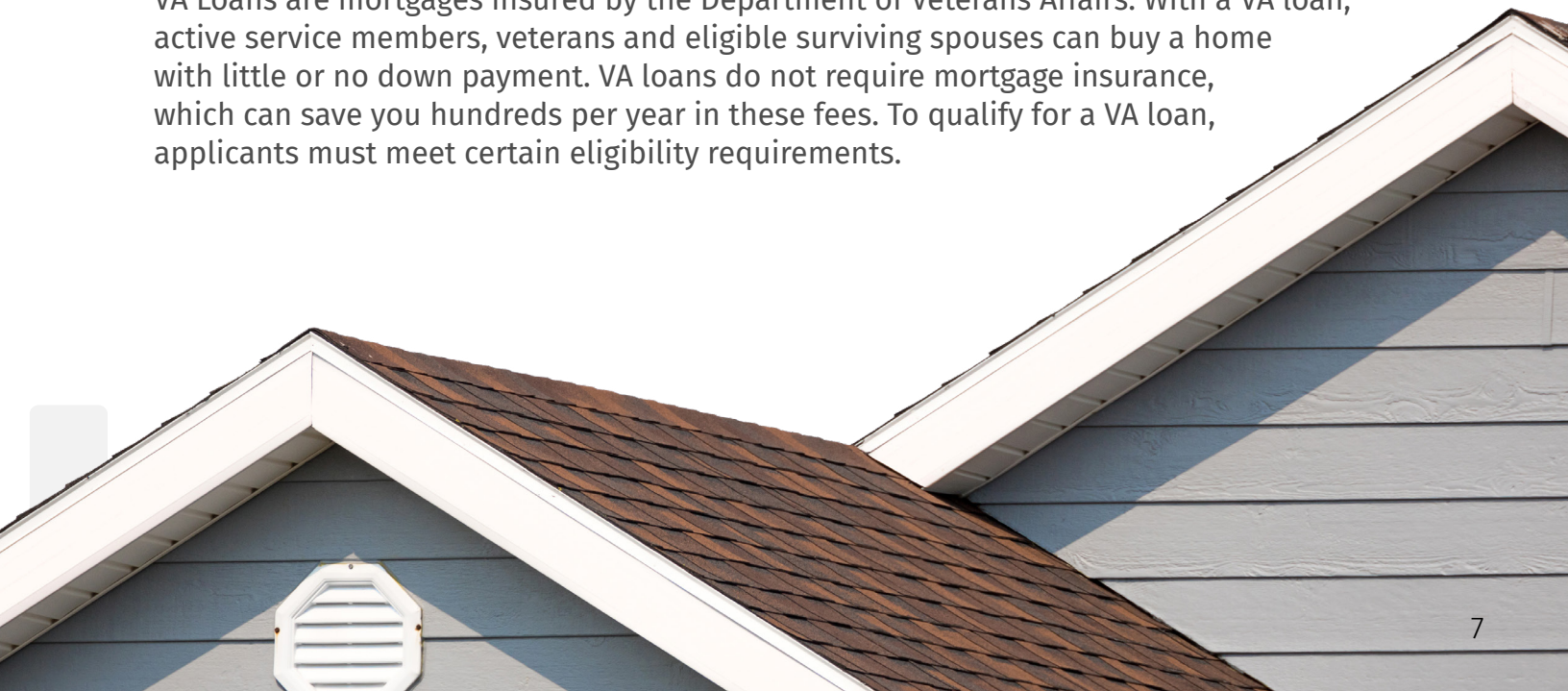
### FHA (Fair Housing Administration) Loans

FHA loans are mortgages backed by the Federal Housing Administration. With an FHA loan, the government guarantees loan repayment to the lender to incentivize lenders to make loans they otherwise would not approve.

FHA loans are popular among first-time homebuyers since they offer lower credit score and down payment requirements. They are generally easier to qualify for than conventional loans but require mortgage insurance to protect the lender against loss if you fail to pay your mortgage.

### VA (Veteran Affairs) Loans

VA Loans are mortgages insured by the Department of Veterans Affairs. With a VA loan, active service members, veterans and eligible surviving spouses can buy a home with little or no down payment. VA loans do not require mortgage insurance, which can save you hundreds per year in these fees. To qualify for a VA loan, applicants must meet certain eligibility requirements.







## STEP 3: Which Loan (cont.) Is Right For You?

### Conventional Mortgage

Conventional loans are the most common type of mortgage that is not guaranteed by the federal government. They are often the best option for borrowers with strong credit who can contribute a down payment of at least 3%.

### Fixed Rate vs. Variable Rate

A fixed-rate loan is the most common type of conventional mortgage. With a fixed-rate mortgage, your interest rate and payment will remain the same throughout the life of the loan. These rates are typically based on credit score, loan amount and loan term, and they might be higher up front.

With a variable (or adjustable) rate loan, you will likely benefit from a lower introductory interest rate which will then be adjusted based on a predetermined schedule and a nationally reported index rate (usually the Prime Rate). Variable-rate loans can be a good choice if you plan to buy a starter home before moving to your forever home.







## **STEP 4:**

# **Getting Pre-Approved**

**You've determined your homebuying budget, and you've decided which type of home loan will work for you. Before you begin your home search in earnest, it's time to get preapproved for your loan. Many realtors and home sellers won't take the time to show a home unless they know you have a pre-approval for the asking price.**

A mortgage preapproval is the process of determining how much money you can borrow to purchase a home. To get preapproved, lenders will look at your income, assets, and credit score to determine how much you can borrow and what your interest rate might be. This gives homebuyers the freedom to search for a home within their budget.

The preapproval process is essentially a mortgage application, which means your lender will want to take a comprehensive look at your finances. You'll want to be prepared to provide information on the following:

- **Proof of income**
- **Proof of assets**
- **Credit history**
- **Debt-to-income ratio (DTI)**
- **Identification**
- **Employment verification**

In addition to the information above, you should also be prepared to provide the following documentation to ensure the process goes smoothly:

- **W-2 statements**
- **Pay stubs**
- **Bank statements**
- **Social Security number**

It's important to note that a letter of preapproval is only good for a limited amount of time – usually 60-90 days. You'll want to check the expiration date on your preapproval and keep it in mind as you look for homes.





## STEP 5: Picking Your Realtor

If you're a first-time homebuyer, you'll find great value in working with a real estate agent or Realtor. Not only can they help you find suitable homes within your price range, they can also provide expert knowledge on the market to help guide you on:

- Whether an asking price is appropriate
- The pros and cons of a home
- Negotiations and bidding wars
- The mortgage and preapproval process
- Paperwork and the closing process

Working with a real estate agent won't cost you anything because the seller usually pays the entire commission, which can range from 5% to 6% of the house sale price, split between any agents involved in the transaction.

A good real estate agent doesn't just help you find your dream home. They also advocate for you throughout the buying process. Take the time to do your research before choosing an agent. You want someone you trust and feel comfortable with, and who can navigate through the process with your best interest in mind.

### Ask for Referrals

A great way to find a real estate agent is to ask someone you know and trust for a referral. Ask family members, friends, or colleagues if they can recommend an agent. They'll be more likely to tell you things like whether the agent was responsive to texts/emails, offered valuable insights about neighborhoods and school districts, and their overall demeanor.

### Research Online

Once you've gathered your list of recommendations, do some research online. Look at websites, social media pages and online reviews. See if other homebuyers share the same opinions as your family members and friends. Remember, the real estate agent is your advocate and can negotiate on your behalf to make sure you're getting the best deal. Aim to interview at least three agents and choose the one who will represent your best interests throughout the entire process.



## STEP 6: Making An Offer

### Found Your Home? Make An Offer Fast.

Your real estate agent can run an analysis of comparable listings that have recently sold in the area to help you make a competitive offer. Finding out how motivated the owner is to sell the property will help you get a feel for how much room exists for negotiation. Once you submit an offer, the seller can either choose to accept the offer, provide a counter-offer, or reject your offer.

If the seller counters, talk it out with your agent to decide whether to accept or make your own counteroffer. Keep in mind that sometimes a higher price isn't your best option for getting a seller to reconsider your offer.

If at all possible, try to avoid waiving contingencies as an incentive to get the seller to agree. You don't want to buy a home and later find out it has issues you can't afford to repair. At a minimum, the offer should include appraisal and home inspection contingencies. While not recommended, in a tight housing market you may have to waive contingencies to make your offer more competitive to the sellers. This is a situation in which a real estate agent can add value by making you aware of market conditions and helping to negotiate the terms to build a successful offer.

If the seller rejects your offer, you can make a counteroffer or walk away. If you find yourself in a bidding war with multiple offers, don't get discouraged if you lose out to another buyer. This competition is common in a tight market, so it's entirely likely you might not get the first home you place an offer on.

If your offer is accepted, congratulations! Before you secure mortgage financing, you'll likely be required to pay earnest money and sign a buy-sell agreement. Earnest money is a deposit you'll make toward the purchase of the home that usually goes into an escrow account. Most buyers use the earnest money as part of their cash to close when the sale goes through.

### Fun Facts:

- A homeowner's net worth is over thirty times greater than that of a renter.
- US Census Bureau reported that 67.4% of Ohio residents owned a home in 2022, while 72.1% of Kentucky residents and 73% of Indiana residents owned a home.





# STEP 7: Home Inspection & Home Appraisal

**First-time home buyers may confuse an appraisal with an inspection, but they are inherently different. Appraisals help you understand a home's value, while inspections help you understand a home's condition.**

Home inspections provide an opportunity for the buyer to identify any major issues with a home before closing. This is a crucial step in the homebuying process that can help you avoid costly surprises down the road. A Home Inspector will look for:

- HVAC and heating system problems
- Plumbing or electrical issues
- Structural concerns (like the foundation)
- Roof condition
- Exterior rot or decay
- And much more

As a buyer, you get to choose your home inspector, so it's important to find one who's experienced and knowledgeable. On average, a home inspection will take 2-3 hours. You should be present during the inspection and ask questions to make sure the home you want is safe and a sound investment. There's no such thing as a perfect house, so it's likely the inspection will uncover minor issues. If the inspection uncovers more serious problems, you may be able to negotiate with the seller.

A home appraisal determines the fair market value of the property and helps ensure you aren't overpaying for it. Most loan programs require an appraisal when you purchase a new home so that lenders can be certain the house and land are worth the money they are lending you. This protects both the buyer and the seller.



## STEP 8: Closing On Your New Home

**You've made it to the final step! Understanding the closing process and familiarizing yourself with the standard closing documents ahead of time can make the closing process less intimidating.**

If possible, request a copy of your closing documents in advance so you can take the time to review them at home without pressure. Write down any questions you have and then contact your lender or real estate agent for clarification.

Within 24 hours of closing, you'll do a final walk-through of the home with your real estate agent to check that the condition of the property is satisfactory according to the contract.

On the day of the closing, you'll need to sign all the paperwork required to complete the purchase, including your loan documents. Come prepared to the closing with a valid government ID, a copy of your new homeowner's insurance policy, and a cashier's check or wired funds to cover closing costs, along with any paperwork required by your lender.



## Thank you!

Thank you for downloading our Home Buying Guide.  
We hope you found the information useful.

If you have any questions or need additional  
information, please contact us.



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