

Your Guide to



# Buying a Home

Part 2: Getting Ready to Buy



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## Before You Buy a Home

Most people think that the first step to buying a house is looking for a house – but there is so much more you can do before you start to look that will make your life easier!

This book will explain what you can do from six months to two years in advance of buying so that you will be prepared for your purchase and save yourself money.

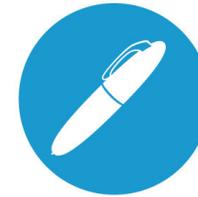
This is one of the biggest purchases of your life. We understand that. We would be honored if you select our agency to guide you through it. Let's work together to make this easy and fun.



Get Your Finances  
in Order



Improve Your Credit  
Score



Write Down Your  
Goals

### Get Your Finances in Order

Before you start looking for a new home, it's crucial that you shore up and evaluate your finances. This will provide a strong foundation for your search and keep you realistic about your options.

Understanding what your income and expenses actually are right now will help you decide how much home you can afford, how much you can expect to save for a down payment, and what extra monthly expenses you can live with.



Make a Budget



Save



Payoff Your  
Debt



Don't Change  
Jobs



### **Make a Budget**

The first step in getting yourself in financial shape to buy a home is to know exactly how much money comes in and how much goes out.

Start by putting together a household budget. Instead of creating a budget of what you'd *like* to spend, use receipts to create a budget that shows your *actual* spending habits over the last few months.

This approach will factor in unexpected expenses, such as car repairs, as well as predictable costs such as rent, utility bills, and groceries. You probably know how much you spend on rent and utilities, but little expenses add up, too. Try writing down *everything* you spend for one month. You'll probably spot some great ways to save, whether it's cutting out that morning trip to Starbucks or eating dinner at home more often.

### **Why this is Important**

You will need some of this information eventually to apply for a loan.

Helps you make the best decisions about what to change so you can buy your home.

We want you to buy a home you can afford. Once you have a home we want you to enjoy it, and keep it as long as you want.

## Budget Basics Worksheet

Enter your information below, it will help your planning in other parts of this book.

### Expenses

Rent/Mortgage	
Life/Health/Disability Insurance	
Vehicle Insurance	
Homeowner's or Other Insurance	
Car Payments	
Other Loan Payments	
Savings/Pension Contribution	
Utilities (gas, water, electric, phone)	
Credit Card Minimum Payments	
Car Upkeep (gas, maintenance, etc.)	
Clothing	
Personal Care Products (shampoo, etc.)	
Groceries	
Food Outside the Home (restaurant meals and carryout)	
Medical/Dental/Prescriptions	
Household Goods (hardware, kitchen, garden)	
Recreation/Entertainment	
Child Care	
Education (classes, books, certifications, etc.)	
Miscellaneous	
<b>Total Expenses</b>	

### Income

Take Home Pay	
Child Support/Alimony	
Pension	
Social Security Disability	
Interest/Dividends	
Other	
<b>Total Income</b>	

<b>Total Income</b>	
<b>Total Expenses</b>	
<b>Monthly Surplus</b>	
<i>(Subtract Total Income from Total Expenses)</i>	



### **Save Money**

Even if you are getting a 'no down payment' loan, you will still have some expenses when you buy your home.

Most buyers' closing costs run from 1%-3% of the home's purchase price. Down payments range from 0% to over 20% depending on what kind of loan you choose. You should also have a reserve of at least three month's expenses in your savings left after your purchase. Add those three together and you have your savings goal!

Now that you know how much money you will need and what your budget is, you can put together your plan. You can set aside a certain amount of money each month to put in your savings account. Increasing your income is another great way to help save for your home. Now's the time to ask for a raise! If that's not an option, you or your spouse may want to consider taking on a second job until you have enough money saved for a down payment.

### **What You Can Do Next:**

Take a look at homes for sale in your area to get an idea of prices. You can get a quick glance on many websites; here is a link to ours: <http://Gainesvilleian.com/detailed-search>

Talk to your bank to get some basic info about the loans they recommend for you, and what the down payment would be.

Figure out how much money you will need at closing.

Down payment + Closing costs + 3 month's expenses = Total savings needed

Figure out how long it will take you to save enough money to buy a home.

$$\frac{(\text{Total savings needed} - \text{Today's savings})}{\text{What you save each month}} = \text{Months until you are ready to buy}$$



### **Payoff Your Debt**

Banks want to lend money to people who can afford to pay them back. If you owe a lot of money, or your monthly payments are high, it shows the bank that you may not be able to afford your monthly payments to them. If your money is spread too thin paying other bills you're unlikely to get a home loan.

Lenders generally look for a ***total debt load*** of no more than 36% of income. Your ***total debt load*** includes your mortgage payment, which usually ranges between 25% and 28% of your income, and your other monthly obligations. So, you need to get monthly payments on the rest of your installment debt — car loans, student loans, and credit card minimum payments — down to between 8% and 10% of your net monthly income.

Installment debt is made up of the loans you already have, they are usually paid in monthly installments.

### **What You Can Do:**

Find out what your bank thinks you can afford based on your budget today.

$(\text{Total monthly income} \times 36\%) - \text{Installment debt} = \text{Maximum mortgage payment}$



### **Don't Change Jobs**

Banks want to give loans to people that have a stable income. Try to stay with the same employer for a while, because work history is important.

You don't need to be in the same job forever to qualify for a home loan, but having a job for fewer than two years may mean you end up with a higher interest rate.

Also, moving to a new area or starting in a new field the year before buying a home may make it harder to get a loan. Certain professions and government jobs will be able to get a commitment letter from their new employer, but others will have to wait one or two tax cycles before they can get a loan.

If you need to make changes, do it soon. The longer you've been with your new company the better.

### **Tip:**

If you are going to ask for a raise or change jobs, do it as soon as you can. You want as much history on the new job as possible when you apply for a loan.

If you are moving to a new area, talk to a lender there and tell them your situation. They will tell you how long you need to be on the job before they can give you a home loan.

### Improving Your Credit Score

Banks want to lend money to people who have a good reputation for paying their bills on time, every month.

Your credit scores, along with your overall income and debt, are a big factor in determining whether you'll qualify for a loan and what your loan terms will be. You should do what you can to improve and maintain your credit score before you apply for a loan.



Check Your Credit  
Report



Bringing Up Your  
Credit Score



### **Check Your Credit Report**

There are three companies that do credit reporting. They will give you a free credit report every year, if you ask for it. There is a central website to check on your credit information: <http://www.annualcreditreport.com>

Check your credit reports for errors and if you find any contact the agency to get them fixed. Mistakes happen, and you could be paying for someone else's poor financial management.

Also, information more than seven years old should not appear on your credit report. If you see information or accounts older than seven years, contact the agency to have them removed.

If you think you are a victim of identity theft, or if your purse or wallet has been stolen, you can request the credit agencies to put a fraud alert or a security freeze on your account to protect you and your credit history.



### **Bringing Up Your Scores:**

Pay all of your bills on time for at least year. Many companies let you set up automatic payments, which is a great way to make sure you never forget to mail a check!

If you have had credit problems like missed payments, judgments, etc., wait twelve months to apply for a mortgage. You're penalized less for problems that happened over a year ago if you have had a good payment record since then.

Your score will usually be higher if you have a couple different types of credit, but make sure none of them are charged to the limit.

If you owe a lot of money on many different accounts it can show the bank you are overextended. However, it's a good thing if you have a good proportion of balances to total credit limits. Focus on paying *down* the accounts that are maxed out first, then pay *off* accounts that have a little left owed on them and are charging you monthly fees.

Avoid finance companies; even if you pay the loan on time, the interest is high and it can be considered a sign of poor credit management.

Avoid transferring credit card debt from one card to another; it could lower your score.

Don't open new credit card accounts because having too much available credit can lower your score. If you have lots of extra accounts that you don't use consider closing some of them (unless they are accounts you've had a while).

On the other hand, keep your oldest accounts open and use them once in a while because old accounts in good standing help raise your credit score. If there is an account you are ready to pay off consider keeping it open and using it once in a while rather than closing it when you make your final payment.

### Write Down Your Goals

Most people wander around from house to house hoping that one of the homes will stand out of the crowd, and that is the one they jump on. They don't question *why* they don't like a house and use that information to help hone their search. Make a plan to avoid looking through an overwhelming number of homes and getting very lost in the process.

Start considering why you want to move. What do you want to accomplish? A home is more than how many bedrooms or bathrooms you have. Understanding your goals now will help you avoid confusion later and many, many wasted hours.

Once you have made your lists don't forget to pay attention to them while your world goes crazy as you look for a home. Share your notes with your agent. Refer to your notes when you are deciding which home to make an offer on. This makes it easier to be sure you found the right home for you.



Timeframe



Lifestyle



Location



Must have  
features



Things you hate



### **Timeframe**

Your deadline for moving can cause you a lot of stress, so it's good to make a plan so you can relax and enjoy the rest of this process.

If you have a firm deadline for moving, like an expiring lease, it will limit which homes you can buy. For example, sellers forced to do a short sale can't promise a specific move in date until weeks or months after you have a contract with them.



### **Lifestyle**

Making sure that your new home fits the way you like to live is essential. Don't just think about your life today; think about your plans for the next five to ten years.

You may fit into a one bedroom apartment today, but consider what might happen with kids, relatives, or pets over time and make sure your home will continue to work for you. If your home is your retreat, make sure you have places to get away from the chaos. If your home is a meeting place for friends and family, make sure there are large, inviting spaces.



### **Location!**

Location is the one thing you can't change after you buy a property. When deciding where to buy your home, don't base your decision on just one thing. Remember you might change jobs and end up working on the other side of town.

Make sure the area you choose to live in includes the things you want to be close to. For some, that may be having hiking trails behind their home. For others that may be living around the corner from friends and family.



### **Must Have Features**

You have champagne wishes and caviar dreams, and it's always fun to stroll through open houses to see what's available. To get ready for your home search start thinking about the two or three things you can't live without.

When you start going into homes that are on the market you can quickly eliminate any that are missing these features. You won't have to second-guess your decisions.



### **Things You Hate**

This is your one chance to be a hater, so don't hold back. To be happy in your new home it can't just have things you love, it also has to **not** have things you hate.

Start paying attention to the things in your home that irritate you. When you visit family and friends, pay attention to what would drive you crazy if you lived in their homes. You want to make sure that you don't have those problems at your new home, so write those things down.

### House Goals Worksheet

Don't forget to pay attention to your list while your world goes crazy as you look for a home.

Write down the things that affect your deadline to buy a home. What is your deadline for moving into a new home? Is it a firm deadline, or flexible?

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Do you have a backup plan if you don't buy a home before those deadlines come and go?

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What are the top three things you love about where you live now?

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What are the top three things you hate about where you live now?

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Think about your lifestyle.

What are the things you like to do every day? How do you relax, exercise, entertain yourself, eat? Are you a chef, or a reader? Do you like walking the dog, going out to dinner, or listening to live music?

What parts of the house are always busy?

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What areas are unused?

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What are activities you don't have room for but wish you did?

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What areas / activities do you want to make sure you can keep?

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Think about the things outside your home. How far are you willing to drive to work? Is it important to you if you live near great schools?

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Write down the top three features you want in your next home, and have your spouse do the same (if you have one). Once they are written down share what you wrote and talk about it. Explain why these are important to you. Do you have any conflicts?

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## **Pick us! Pick us!**

We'd love to help you take the next step. If you are still undecided, here are some of the things our past customers have to say about us.

Call or email us to set up your first meeting. (352) 373-0034 [info@we-promise.com](mailto:info@we-promise.com)

*"With electronic signatures, creating virtual layouts from pictures taken on site and electronic reminders at each step of the process, Seide Realty brings realty into the 21st century."*

Terry Tokash in Benwood Estates

*"Bonnie and Kathleen Seide are knowledgeable and easy to work with. They took care of all the details and helped me purchase the perfect home. I would certainly recommend them!"*

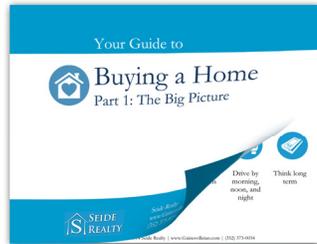
Nathan Hanson

*"My wife and I bought our home sight unseen and Bonnie and Kathleen made it seem as if we were there every step of the way... Excellent service by outstanding people."*

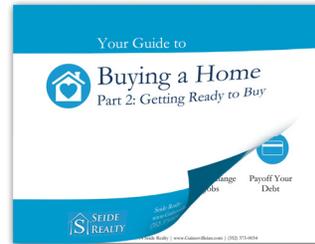
James and Susan Story

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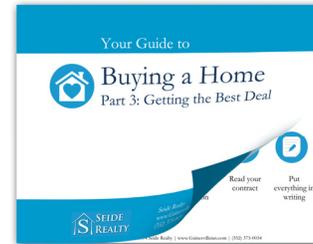
### Beginner's Guide to Buying Real Estate



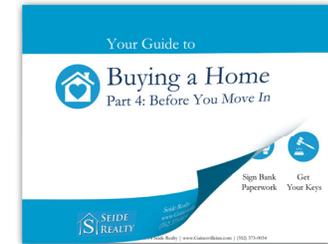
The Big Picture



Getting Ready to Buy

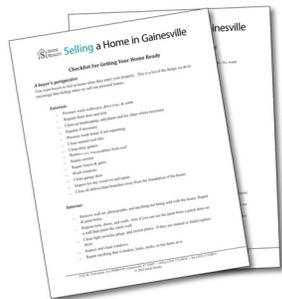


Getting the Best Deal



Before You Move In

### Selling a Home in Gainesville



Checklist for Preparing Your Home for Sale

## Thank You

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