

FIRST-TIME
HOME BUYERS
GUIDE



Meet your Home First Financial Loan Officer

At Home First Financial, our loan officers are here to act as your financial counselor throughout the lending process. Buying your first home is an exciting journey. We want to make the transaction as smooth as possible.

The Home First Financial Advantage

We are able to deliver personalized customer service with the resources of a local lender. Borrowers prefer working with Home First Financial because of our:



Reliable
Prequalifications /
Preapprovals



Competitive
Rates



Robust Menu of
Loan Products



Transparent
Communication



Dependable
On-Time Closings

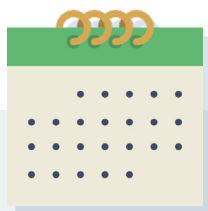
Getting Preapproved

Getting preapproved can have many advantages for home buyers and can even expedite the buying process.

Some of the benefits include:



Determine how much you can afford ahead of time.



Get a general idea of what your monthly payment will be.



Estimate your down payment.



Identify qualifying loan programs.

Most importantly, you can improve seller negotiations. The seller may be more inclined to accept your purchase offer when they know you are qualified to buy their home.

What you need for Preapproval:



Income and Employment History



Monthly Debts and Credit Score



Source and Amount of Down Payment and Closing Costs



Completed Loan Application



VA Loans

Who May Qualify?

- ▶ Veterans
- ▶ Active-Duty Service Members
- ▶ Reservists
- ▶ National Guard Members
- ▶ Eligible Surviving Spouses

Benefits of a VA Home Loan:

- ▶ Guarantees a portion of the total loan, enabling more favorable terms.
- ▶ Allows veterans to buy, build, repair, or adapt a home.
- ▶ No down payment needed in most cases. No monthly mortgage insurance payment, but an upfront Guaranty Fee is required (some applicants may be exempt).
- ▶ Flexible interest rates.
- ▶ Flexible financing options to reduce current interest rates (VA IRRRL).

Visit http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp to learn more.

Mortgage Terms

My Mortgage Payment

Your monthly mortgage payment is made up of several components. This housing expense is commonly referred to as P.I.T.I. or Principal, Interest, Taxes and Insurance. Mortgage Insurance, Flood Insurance, and Homeowners Association fees may also be a portion of your total payment.

Principal – The portion of your payment that is applied to pay down your mortgage.

Interest – A charge for the use, or loan, of money. The interest is calculated on unpaid principal balance.

Taxes – The county assessor charges property tax based on the valuation of your home. For example, in California, there are two tax installments due each year; one in November, the second in April.

Insurance – This pays for losses from certain hazards, including fire. This standard insurance pays for replacement costs based on actual cash value.

Homeowners Association (HOA) Dues – Fees paid by homeowners within a community of homes, condos, townhouses, or planned unit developments (P.U.D.). HOA dues are collected to cover the cost and maintenance of communal areas to the property.

Mortgage Insurance (MI) – Depending on your loan program or the amount of your down payment, you may be required to have MI. Anything less than 20% down - a higher note of default - requires MI. Because loans with small down payments involve substantially more risk for the lender, they require insurance as a hedge against borrower default. The cost of MI varies according to your loan type, down payment, and credit score. FHA Loans charge a fee for life-of-loan mortgage insurance, called Mortgage Insurance Premium (MIP). VA Loans charge an upfront Guaranty Fee in lieu of a monthly mortgage insurance fee.

Closing Costs

Below is an overview of the types of closing costs you may incur. When you apply for your loan, you will receive a Loan Estimate and a booklet that will explain these costs in detail. At loan closing, you will receive a Closing Disclosure summarizing your actual loan costs and fees.

Appraisal Fee – Conducted by an independent appraisal company, this pays for a statement of property value for the lender. You will receive your own copy.

Credit Report Fee – This covers the cost of the credit report that is run by an independent credit-reporting agency and is used to prequalify you for a loan and to underwrite your completed loan application.

Impound Account – If you choose to have an impound account, have a government funded FHA or VA Loan, or if your down payment is less than 20%, the lender may require you to establish an account held in trust for you by the lender to pay the costs of your property taxes and insurance. Your monthly payment will include the loan Principal, Interest, Taxes, and Insurance (collectively, P.I.T.I.).

Loan Discount – Often called discount points, a loan discount is a one-time charge used to buy down your specific transaction's interest rate. One point is equal to 1% of the loan amount.

Loan Origination – This fee covers the lender's costs for originating your loan.

Title Charges and Document Preparation – The title company may charge one-time fees for a title search and examination, document preparation, notary fees, recording fees, courier fees, and a settlement or closing fee. There are two title policies with a one-time fee: a lender's title policy, which protects the lender against losses due to defects on title, and a buyers title policy, which protects the borrower against defects on the title.

Prepaid Interest – Amount accrued on a daily basis from the date of loan closing to the due date of your first loan payment.

Taxes and Hazard Insurance – You will be expected to pay for property taxes upfront, including the entire years' hazard insurance premium. In addition, you may be required to allocate property taxes and property insurance (may include homeowners, flood) into a reserve account, called an impound account, held by the lender.

Down Payment Options

Low Down Payment – Pay 5% or less of the home's price in cash and borrow the rest. VA and USDA Loans have no down payment options, FHA Loans have low down payment options, and some Conventional Financing options require down payments as low as 3%.

10% Down Payment – Pay 10% of the home's price in cash and borrow 90%. Pay for any additional mortgage insurance.

20% Down Payment – Pay 20% of the home's price in cash and borrow 80%. No mortgage insurance is required.

Benefits of Homeownership

Join a Community – when you move into your new home, you become part of a new community. Get to know your neighbors, and build a lasting network.

Invest in an Appreciating Asset – real estate has the tendency to appreciate over time.

Escape the Volatile Rental Market – it costs more to rent than own in almost every city and state. Avoid skyrocketing rents and benefit from the stability of a monthly mortgage payment instead.



Rent vs. Own Crunching the Numbers

Compare your own situation to these 3 hypothetical examples of first-time homebuyers just like you.*

Example 1: \$200,000 Purchase Price

| Financing | FHA Reg | VA | CONV | CONV |
|--------------------------|------------|------------|------------|------------|
| Notes | Fixed Rate | Fixed Rate | Fixed Rate | Fixed Rate |
| Sales Price | \$200,000 | \$200,000 | \$200,000 | \$200,000 |
| % Down | 3.50% | 0.00% | 10.00% | 20.00% |
| First Loan | \$196,377 | \$204,300 | \$180,000 | \$160,000 |
| Term | 30 Years | 30 Years | 30 Years | 30 Years |
| Rate | 4.375% | 4.375% | 4.500% | 4.500% |
| APR | 5.990% | 4.600% | 4.946% | 4.644% |
| Cash to Close | | | | |
| Down Payment | \$7,000 | \$0 | \$20,000 | \$40,000 |
| Closing Costs | \$3,200 | \$1,300 | \$3,801 | \$3,707 |
| Prepaid / Impounds | \$2,301 | \$2,192 | \$2,280 | \$2,243 |
| Total \$ Required | \$12,501 | \$3,492 | \$26,081 | \$45,950 |
| Housing Expense | | | | |
| First Loan P & I | \$980 | \$1,020 | \$912 | \$811 |
| Taxes, Ins & MI | \$475 | \$258 | \$369 | \$258 |
| Total Payment | \$1,456 | \$1,278 | \$1,281 | \$1,069 |
| Income to Qualify | | | | |
| Income Guide | \$4,700 | \$4,410 | \$3,880 | \$3,240 |

Example 2: \$300,000 Purchase Price

| Financing | FHA Reg | VA | CONV | CONV |
|--------------------------|------------|------------|------------|------------|
| Notes | Fixed Rate | Fixed Rate | Fixed Rate | Fixed Rate |
| Sales Price | \$300,000 | \$300,000 | \$300,000 | \$300,000 |
| % Down | 3.50% | 0.00% | 10.00% | 20.00% |
| First Loan | \$294,566 | \$306,450 | \$270,000 | \$240,000 |
| Term | 30 Years | 30 Years | 30 Years | 30 Years |
| Rate | 4.375% | 4.375% | 4.500% | 4.500% |
| APR | 5.966% | 4.599% | 4.922% | 4.618% |
| Cash to Close | | | | |
| Down Payment | \$10,500 | \$0 | \$30,000 | \$60,000 |
| Closing Costs | \$3,688 | \$1,657 | \$4,589 | \$4,448 |
| Prepaid / Impounds | \$3,451 | \$3,289 | \$3,421 | \$3,365 |
| Total \$ Required | \$17,639 | \$4,946 | \$38,010 | \$67,813 |
| Housing Expense | | | | |
| First Loan P & I | \$1,471 | \$1,530 | \$1,368 | \$1,216 |
| Taxes, Ins & MI | \$713 | \$387 | \$554 | \$387 |
| Total Payment | \$2,183 | \$1,917 | \$1,922 | \$1,603 |
| Income to Qualify | | | | |
| Income Guide | \$7,040 | \$6,610 | \$5,820 | \$4,860 |

Example 3: \$500,000 Purchase Price

| Financing | FHA Reg | VA | CONV | CONV |
|--------------------------|------------|------------|------------|------------|
| Notes | Fixed Rate | Fixed Rate | Fixed Rate | Fixed Rate |
| Sales Price | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| % Down | 3.50% | 0.00% | 10.00% | 20.00% |
| First Loan | \$490,943 | \$510,750 | \$450,000 | \$400,000 |
| Term | 30 Years | 30 Years | 30 Years | 30 Years |
| Rate | 4.375% | 4.375% | 4.500% | 4.500% |
| APR | 5.946% | 4.599% | 4.904% | 4.597% |
| Cash to Close | | | | |
| Down Payment | \$17,500 | \$0 | \$50,000 | \$100,000 |
| Closing Costs | \$4,663 | \$2,372 | \$6,165 | \$4,530 |
| Prepaid / Impounds | \$5,727 | \$5,482 | \$5,702 | \$5,609 |
| Total \$ Required | \$27,915 | \$7,854 | \$61,867 | \$110,139 |
| Housing Expense | | | | |
| First Loan P & I | \$2,415 | \$2,550 | \$2,280 | \$2,027 |
| Taxes, Ins & MI | \$1,188 | \$645 | \$923 | \$645 |
| Total Payment | \$3,603 | \$3,195 | \$3,203 | \$2,672 |
| Income to Qualify | | | | |
| Income Guide | \$11,740 | \$11,020 | \$9,700 | \$8,100 |

**Financing examples 1-3 are designed to assist you in selecting the loan that most closely suits your budget and are for comparison only. These examples are not an offer of credit or commitment to lend. Loans are subject to buyer/property qualification. Although rates are accurate to specific examples at present time, these examples are hypothetical and not meant to serve as indicators of current home prices, market rates, or your financial situation. Rates and fees are subject to change without notice. Cash reserves may be required for conventional loans. These simulations are reflective of Contra Costa County, California*

The Home Loan Process

Understand the Life of Your Loan



Meet Your Loan Officer

Review your FICO score and determine your financing options. Having relevant documentation such as pay stubs, W2's, and government identification can help.



Contracting a Home

Make an offer on the home and obtain a contract on price and terms of purchase. When you have an offer accepted, provide a copy to your loan officer.



Processing

The processing team verifies the accuracy of the information provided on the application and reviews the loan request.



Underwriting

Once fully processed, underwriting begins. If there are additional supportive documents needed, the underwriter will condition those items and work closely with processing and your loan officer to satisfy those requirements.



Loan Approval

After full review, conditional approval is issued.



Closing Day and Document Signing

Once the loan is "Clear to Close," your loan officer facilitates all final procedures so that you can close your loan on time and without hassle.




The Role of the Real Estate Agent

- ▶ Helps you determine your goals to find the home that best suits your budget, lifestyle, and personal needs.
- ▶ Access the Multiple Listing Service (MLS) to find properties for sale in your preferred community. The MLS is the most complete database of properties for sales, and it speeds up research your real estate agent can do for you: <http://mls.com>
- ▶ Protect your rights. Real estate and mortgage finance laws have become quite complicated. Your agent will keep you up-to-date on what is required of you, the seller, and of all other parties involved in your transaction.
- ▶ Negotiate for you. Once you find a home you want to buy, your real estate agent handles the process with the seller or seller's agent.

Learn More:

California Association of Realtors (CAR) - <http://www.car.org>

National Association of Realtors (NAR) - <http://www.realtor.org>



What Type of Home Suits Me?

Single Family Home

Standalone structure with no shared property.

Planned Unit Development

Community of single family structures or townhouses with shared common areas (play areas, community pool, etc.). A Homeowners Association will manage the common areas and charge a Homeowners Association (HOA) fee.

Condominium

Unit within a complex with shared walls and common areas. A Homeowners Association (HOA) will manage common areas and the exterior of your unit, for which you pay an HOA fee. The units are sometimes called townhouses.

Know Your Mortgages!

You're going to start hearing some of these words a lot! It's important to get familiar with these common types of mortgages and mortgage terms before you begin the home buying process.

Conventional

Adjustable-Rate Mortgage (ARM) – a loan with an interest rate that is tied to a specified financial index, this increases or decreases at scheduled time periods during the life of the loan. The loan includes a margin that is tied to the index.

Fixed-Rate Loan – a loan with an interest rate and payment that remains constant throughout the life of the loan. Interest is amortized over the loan period and factored into the monthly mortgage payment.

Interest Only – monthly mortgage payments consist of interest only for a specific period, usually 5 to 10 years. During the interest only period, your balance remains the same unless you choose to pay extra toward your principal.

Government

Federal Housing Administration Loan (FHA) – FHA loans are available as fixed-rate and adjustable-rate mortgages (ARM). FHA loans are insured by the Federal Housing Administration and can offer low down payments as well as higher qualifying ratios. There is a maximum FHA loan limit that varies from region to region.

United States Department of Agriculture (USDA) – designed for rural property purchase or refinance loans.

VA Loan – available to eligible veterans. The Veterans Administration guarantees the repayment of VA Loans to the lender in case of borrower default.

Picking the Right Neighborhood

When you are shopping for your new home, you will be checking out a variety of different neighborhoods. Before putting an offer on a home, how do you narrow down where you would like it to be?



Pricing Predictability

To determine whether your new home will retain its value over time, check out the historical sale prices for nearby, comparable properties.



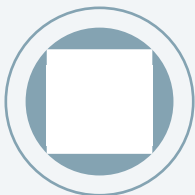
Rate of Ownership

Primary residents are more likely than renters to spend money upgrading property over time. This will increase the overall value of the community over time.



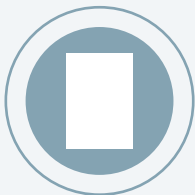
Safety

Higher percentages of homeownership often correlates with a safer community. Permanent residents are more invested in their neighborhood security and quality of life.



School District

Even if you do not have children, a community with a highly ranked school district is likely to offer a better quality of life.



Location

Are you looking for rural or suburban? Where is the nearest highway? How far away is your workplace, the grocery store, or other services you will need?

Home Inspection Checklist

Pay for a professional home inspection and talk to your Real Estate Agent about the benefits of purchasing a home warranty.

- Age of Home
- Floor Plan
- Square Footage
- Location
- Street Traffic
- Ceiling Height
- Brightness
- Included Appliance & Fixtures
- Heating System
- Working Appliances
- Air Conditioning
- Plumbing
- Drainage
- Water Supply
- Waste Disposal
- Wiring
- Insulation
- Number of Entrances
- Basement
- Attic

Must-Have Features

It could be beneficial to rank the importance of the following features. Check those that are most important to you.

- _____ Desired Age
- _____ Number of Bedrooms
- _____ Number of Bathrooms
- Home Office
- Study / Library
- Living / Rec Room
- Separate Dining Room
- Master Bath
- Spacious Closets
- Family Room
- Attached Garage
- Pool
- Large, Landscaped Yard
- Mature Trees
- Fenced Property
- Walk-In Closets

Other important features: _____

My Home Tour Notes

Organize your thoughts about each open house.

Property Address:

Notes:

Property Address:

Notes:

Property Address:

Notes:

Property Address:

Notes:



HOME FIRST
FINANCIAL
NMLS #2465048

Corporate Headquarters
12651 Newport Avenue
Tustin, CA 92780 | NMLS #2465048
Info@YourHomeFirst.com

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