

*JoAnn Echtler*  
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The Preferred Realty



# HOME BUYING *Guide*



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HELPING YOU GET *Home.*



## GETTING STARTED

Getting ready to buy a house can be daunting. Whether it's your first home, or your tenth, credit scores, down payments, and mortgages are all on your mind. But armed with the right information, you can shop for a house, apply for a mortgage, and close the deal with confidence. Here's a guide to help you get ready to make one of the biggest, and most satisfying purchases of your life.

Buying a home is still considered a key aspect of the American dream. If this is your first home, you have access to state programs, tax breaks, and federally backed loans. If you don't have the usual minimum down payment—ideally 20% of the purchase price for a conventional loan—that's OK. There are plenty of 5% and even 3% down loans available to you, through first-time home Buyer programs, as well as move up and downsizing repeat Buyer platforms.

This guide was designed to walk you through the process of buying a home so you are prepared to act quickly when you find the perfect one. As you work through this process, I hope you feel confident enough to lean on me as your personal guide and advisor. I feel very confident your search will be successful, rewarding, and hopefully fun as well.



*JoAnn*

**JoAnn Echtler, REALTOR®**  
Chairman's Circle Awardee  
Luxury Home Specialist®  
Peer-Certified Reputable Agent®  
Best of Zillow Agent®



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## ARE YOU PREPARED TO BUY

Once you decide you're ready to buy a home, it's time to set a budget. A good place to begin is by calculating your Debt To Income (DTI) ratio. Take a look at your current debts and income and consider how much money you can reasonably afford to spend each month on a mortgage.

Remember that homeownership comes with a number of hidden costs you don't need to worry about while renting. For example, you'll need to pay property taxes, pay for maintenance and repairs and maintain some form of homeowner's insurance. Make sure you factor these expenses into your household budget when you decide how much home you can afford.

In most cases, you won't be able to get a loan for 100% of the purchase price of the home (Veterans are the exception here). That's why you make a down payment. A down payment is a large payment you make when you buy your home.

A larger down payment typically means you have more mortgage options. Putting more down usually means you'll get a smaller monthly payment and a lower interest rate.

You'll also need to save money to cover closing costs – the fees you pay to get the loan. There are many variables that go into determining

how much you'll pay for closing costs, and will depend on your loan type, your lender and where you live. Almost all homeowners will pay for things like appraisal fees and title insurance. If you take out a government-backed loan, you'll typically need to pay an insurance premium or funding fee upfront.

There are many ways to save for your home purchase, including through investments and savings accounts. If you have relatives who are willing to contribute money, you may be able to use gift money toward your down payment, but a letter confirming it's a gift and not a loan will be required.



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## GETTING PRE-APPROVED

When you're ready to start house hunting, it's time to get preapproved for a mortgage. To get preapproved, you need to apply with your lender. The preapproval process typically involves answering some questions about your income, your assets and the home you want to buy. It will also involve a credit check.

When you apply, your lender will give you a preapproval letter that states how much you're approved for based on your credit, assets and income. You will give your preapproval letter to your real estate agent so they can help you find homes within your budget. Now it's time to shop for homes! Below are some terms you'll need to become familiar with.

### Debt-To-Income Ratio

Debt-to-income ratio is another financial instrument lenders use to evaluate your loan application. DTI helps your lender see how much of your monthly income is already going to debt so they can evaluate the amount of mortgage debt you can take on.

DTI is calculated by dividing your monthly debt by your gross monthly income. Your lender will use the debts shown on your credit report to calculate your DTI.

### Liquid Assets

Buying a home with no money down is possible but most homeowners need to have some cash for a down payment. A down payment is the first major payment you make on your loan. The amount of money you'll need to save depends on your loan type and how much money you borrow.

Many home buyers believe that they need a 20% down payment to buy a home. This isn't true – you can buy a home with as little as 3% down (0% if you are a veteran). However, if you put at least 20% down on a conventional loan, you won't need to pay for private mortgage insurance. PMI protects your lender if you default on your loan.

You'll also need to pay for closing costs before you move into your new home. Closing costs are fees that go to your lender in exchange for creating your loan. The specific amount you'll pay in closing costs will depend on where you live and your loan type. It's a good idea to save 3% – 6% of your home's value for closing costs.

### Credit Health

Your credit score plays a huge role in what loans and interest rates you qualify for. Your credit score tells lenders how risky you are to lend money to.



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## TYPES OF MORTGAGES

Choosing a mortgage isn't as simple as it sounds. That's because there are many types of mortgages available and they're made up of different components—from the interest rate to the length of the loan to the lender.

### Conventional Loans

Pros: When you calculate interest and fees, your total cost is lower than an unconventional loan.

Cons: Conventional loans aren't backed by the government, so lenders can charge a higher interest rate or require a higher down payment compared to unconventional loans. This type of loan also requires you to pay private mortgage insurance (PMI) if your down payment is less than 20% of the home's value.

### Subprime Mortgages

Pros: The perceived pro is that lenders will give you money to buy a house, even if you have bad credit and no money. Subprime mortgages were designed to help people who experience setbacks—get a house.

Cons: Lenders know there's a big risk in lending money to people who have no money, so these mortgages come with higher interest rates.

### FHA Loans

Pros: With Federal Housing Administration (FHA) loans, you can get a mortgage with as little as a 3.5% down payment and low interest rates.

Cons: You're required to pay a mortgage insurance premium (MIP)—a fee similar to PMI, except that you have to pay it for the life of the loan, or until equity reaches 20% (or refinance later).

### VA Loans

Pros: With Department of Veterans Affairs (VA) loans, military veterans can buy a home with virtually no down payment or mortgage insurance.

Cons: VA loans also come with a funding fee. This fee can range anywhere from 1.25% to 3.3% of your loan, depending on your military status, down payment amount, and whether it's your first time financing a home with a VA loan.

### USDA/RHS Loans

Pros: The United States Department of Agriculture (USDA) offers a loan program, managed by the Rural Housing Service (RHS), to people who live in rural areas and show a financial need based on a low or modest income. With this loan, you can purchase a house with little payment at below-market interest rates.

Cons: You can't refinance your loan to improve your interest rate.



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## FINDING THE RIGHT AGENT

Your Realtor® is your representative in the transaction. Not all real estate agents are Realtors®, so it's important you choose one who is a member of the National Association of Realtors®. Realtors® must subscribe to the Realtor® Code of Ethics as well as attend yearly state-approved education courses to maintain this certification.

Your agent will look out for your best interests by finding homes that meet your criteria, get you showings, help you write offers and negotiate on your behalf. Most importantly, as a buyer, you do not pay for the services of a Realtor® to represent your best interests in the transaction. In almost every case, the seller will pay the buyer's real estate agent's commission.

Real estate agents are local market experts and can also advise you on how much to offer for each property.

Buying a home is a complicated and emotional process. Having an experienced agent by your side can help you navigate the

housing market, submit a legally sound offer and avoid overpaying for your property.

How can you find the right real estate agent? Begin by asking family members and friends for recommendations. Direct referrals are often the best way to get unbiased information on agents in your area.

*BONUS TIP: Over 70% of my business is Referral. By doing an exceptional job for my clients, they feel comfortable staking their reputation on my ability to perform. That's pretty powerful stuff.*



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## LET'S MAKE AN OFFER!

You've done your homework and know your local market. You or your Realtor® have the sales comparables of the house you're interested in, and you're ready to make a smart offer. Here's how the process works:

First, you and your agent will craft a written offer. Here is where your Pre-Approval comes in, as you will need one to submit the offer to the Seller/Seller's agent. Several things can happen here...

1. The seller accepts, counters or declines the offer.

If the offer is accepted, you move on to the next step. If the seller makes a counteroffer, you either accept that counter, or make a new offer. If the offer is refused, you can make an amended offer, or begin a new round of house hunting.

Do not worry, your Realtor® will do all this work on your behalf! The written offer you craft with your Realtor® is legally binding, and is a Residential Sales Agreement that complies with applicable state and local laws.

Once your offer is accepted.. now the real work begins...

Several things go into play once your offer is accepted, and there is much more work to be done.

Here is an overview of the next steps- again your Realtor® walks with you through all of these steps...

You will make formal mortgage application and be sure to provide your Mortgage Loan Officer with all he or she needs as quickly as possible.

Next, Home Inspections are scheduled to make the house is sound. If repairs are needed, your Realtor® will negotiate those on your behalf.

The Appraisal will be ordered by your bank to make sure the home is worth the amount agreed upon in the Sales Agreement. And at this time, you also choose a Home Insurance Co. to ensure your new home and it's contents.

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## WHY I KNOW I CAN HELP

Since beginning my real estate career, I have thoughtfully and passionately helped hundreds of families, couples and individuals reach their goals of buying, selling or both! As a licensed Realtor for over 20 years, and a Creative and Marketing professional for over 30 years, I can not only envision a home's potential, but help guide Buyers and Sellers throughout the sometimes complicated process with patience, kindness, expertise, and a bit of humor for good measure.

Production numbers are powerful but the bonds created with my clients, now friends, are unbreakable. Over 70% of my business is repeat and referred clients, and in order to earn and maintain that trust, my laser focus is to provide the best service possible, share honest advice, as well as timely communication and support throughout the process.

In my free time I enjoy spending time on my farmette which includes a menagerie of fainting goats and laying hens, gardening, sampling Cabernet with friends, and writing articles for the Blog on my website [www.JoAnnEchtler.com](http://www.JoAnnEchtler.com).

*I would love to help you find your little bit of heaven here on earth.*

*JoAnn*

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