

# The 6 Steps of Buying a Home



Buying a home can be an in-depth process. Sun East Federal Credit Union has a team of mortgage consultants and real estate agents on your side to assist you before you start to tour open houses!

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A solid checklist can help you when buying a home for the first time and keep you on track toward closing.

We'll take a look at the 6 basic steps of buying a home. Keep this list at your side for a successful first-time home shopping experience.

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## **Step 1: Obtain a preapproval letter from a local lender, such as Sun East!**

The first step in purchasing a home is to apply for a mortgage and get a preapproval letter.

A mortgage preapproval letter gives you a good idea of how much house you can afford, your estimated interest rate, and the types of loan programs you qualify for.

A mortgage preapproval also tells sellers and real estate agents that you have begun to secure funding for your mortgage. This gives your eventual home offer more leverage.

**Helpful Tip: Realtors almost always prefer a preapproval letter from a local lender vs a large mortgage corporation.** Sun East offers a personalized mortgage



consultation as well as easy ways to apply online, by phone, or in person!

You will want to get preapproved before you begin your hunt for the perfect home.

A mortgage lender will only offer you the amount that you can afford to pay monthly toward your mortgage. It's important to know how much you can afford to spend on a home so you can narrow your home search and help your real estate agent show you properties that are in your budget.

Your credit score will be a factor in determining the terms of your loan. Before you apply, be sure to check your credit report and make sure everything is accurate and up to date. You are entitled to 1 free copy of your credit report every year. **You may be able to qualify for a mortgage with an average credit score above 580.**

Another factor the lender will review when figuring out how much home you can afford is your debt-to-income (DTI) ratio. Your DTI ratio is how lenders compare your monthly debts vs your gross (pre-tax) monthly income.

For example, if your total monthly household income is \$5,000 and you pay \$2,000 a month in recurring expenses, your DTI ratio is 40%.

Most lenders like to see applicants with a DTI ratio of less than 50%. If your DTI ratio is more than 50%, you may want to take some time to pay down debt before you apply for a mortgage.

If your DTI ratio is less than 50%, go ahead and start your mortgage consultation. Contact Sahdia Chughtai, Mortgage Loan Originator, at [schughtai@suneast.org](mailto:schughtai@suneast.org) or (610) 485-2960 x269 today!

## 2 **Step 2: Connect with our Sun East Realty team!**

We have a wonderful team of realtors that can help you find your dream home!

You're not legally required to hire a realtor or real estate agent when you buy a home, but our real estate team can make it much easier to find the home that's perfect for you.

Our Sun East Realty team is trained in every aspect of the home sale process. They can help you find a property in your budget and seal the deal at closing. They have your best interests at heart, can advise you on how much to offer for a property, and can help you submit an offer letter.

Most importantly, our team can help keep you within your budget.



### 3 **Step 3: Begin House Hunting!**

With your preapproval in hand, you can confidently search for homes within your budget!

Our realty team are experts in your local housing market and may have insider knowledge on which homes you might like. Tell your real estate agent about the top qualities you're looking for in a home and they will locate the best properties for you to view.

When touring homes, be sure to look at more than just the location or features of the house. Don't be afraid to test the home's plumbing and electrical system by running water from faucets and flipping light switches. Take a look at the home's gutters, chimney and trees. Take note of the condition they're in. Ask the seller if the home has had radon, lead paint or carbon monoxide inspections and ask to see the results.

A home inspector will be able to see and record many of these issues for you when you make an offer on a home. You can save yourself both time and stress by spotting deal-breakers when you're still in the viewing stage.

### 4 **Step 4: Make an Offer!**

Our realty team can assist you with putting in an offer to buy the home once you've found a property that checks all the boxes.

It can be difficult to decide how much you should offer, **so listen to the guidance of your realtor.** They will compare sales data and other local property values to help you make a reasonable offer. Your agent will also draw up an offer letter and submit it to the seller or the seller's representative.

**Keep in mind that you can ask for more than just a home sale in your offer letter.**

Depending on the condition of the property, you may want to request repairs or make your offer contingent upon a successful inspection. You may also request that the seller add upgrades to the home (like new carpeting or appliances), but keep in mind that this may drive the price up.

You make a promise that you're serious about buying a home when you put in an offer. You'll include what's called an **earnest money deposit** with your offer to prove it. An earnest money deposit is a small advance you make toward your down payment to the seller. Your earnest money deposit is usually equal to 1% – 3% of the purchase price of your home. Be 100% sure you want to purchase a home before you submit an offer because you could back out of the home purchase for a reason not specified,



and lose your earnest money deposit.

Next, wait for the seller to respond. **The seller has three choices:**

1. Accept the offer. If this is the case, congratulations! You've bought a home.
2. Reject the offer.
3. Propose a counteroffer. If this is the case, your real estate professional can help you negotiate a purchase price. Sometimes you can't reach an agreement with the seller and you may need to move on to other properties.

**5 Step 5: Appraisal and Inspection** After you reach an agreement with the seller, it's time for the appraisal and the inspection.

Appraisals and inspections vary in a few important ways:

An **appraisal** only gives you an estimate of how much your home is worth. An appraiser looks at things like overall property values in the neighborhood and the general condition of the property. **Mortgage lenders require appraisals because they need to know that they aren't lending you more money than your home is worth.**

You have a few options if your appraisal comes in lower than what you offered on the home. You can:

- Renegotiate the purchase price with the seller
- Bring a larger down payment and lower the amount of money you're borrowing
- Request a new appraisal
- Cancel the sale and continue pursuing a different property

An **inspection** gives you a more intimate look at the inner workings of your home. During this process, a home inspector will walk through your property and test things like the electrical system, plumbing and other amenities. They will also look at the condition of the home's roof, foundation, attic and basement. At the end of the inspection, the inspector will present you with a list of everything they found. You can use this list to request repairs from the seller before closing.

Though an inspection usually isn't a requirement to get a mortgage, **it's a good idea to include a successful inspection contingency in your offer.**



## 6

**Step 6: Settlement Day!** After your home passes inspection and undergoes an appraisal, you're ready to go to settlement.

Settlement involves signing all the necessary paperwork on your mortgage and taking control of the property.

Before closing, you'll receive a digital document from your mortgage lender called a closing disclosure. These documents include the final terms of your mortgage loan, what you owe in closing costs and your interest rate.

Read and acknowledge your closing disclosure. Your lender will arrange a settlement meeting once they know that everything looks correct.

Bring your ID, closing disclosure and cashier's check or proof of a wire transfer for your down payment and closing costs to your settlement. A neutral third party called a closing agent will lead the process. You're officially a homeowner as soon as you sign all of your paperwork!

**Summary** We will take a look at your income and debt and decide how much you can afford to take on in a loan. We will provide a mortgage preapproval letter once you have a rough idea of how much home you can afford.

You may begin looking at homes once you have a preapproval. Our real estate professionals can help you find homes in your price range and neighborhood of choice.

Put in an offer with the seller once you find the right property. Negotiate with the seller if you need to. When the seller accepts your offer, set up an appraisal and inspection. If the home passes both the appraisal and inspection, you can close on your loan, pay your down payment and begin the move-in process.

**Contact us today!**

Email [mortgagechampions@suneast.org](mailto:mortgagechampions@suneast.org)  
or call (610) 485-2960 x765