

A large, multi-story stone house with a prominent tree in the foreground and a dog on the lawn. The house is made of light-colored stone and has a dark roof. The tree is very large and has many green leaves. The lawn is green and well-maintained. A dog is sitting on the lawn in the middle ground.

COMPASS

Shaina McAndrews'

Home Buyer Financial Guide

Serving Philadelphia, MontCo,
Bucks, Chester, DelCo

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Broker: 267.380.5813
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www.MontCoLiving.com

MONTCO LIVING
BUY • SELL • LOVE YOUR HOME

HOME BUYING FINANCIAL GUIDE

A GUIDE TO LOAN PROCESS

Welcome!

Most buyers who begin the process of looking for a home begin the journey filled with excitement and a bit of trepidation.

This is understandable when you consider that purchasing a home is one of the biggest financial decisions you will make during your lifetime.

Not only do I understand this, I believe that home ownership is something you can be proud of. I believe, it's an honor and privilege to ensure that the home buying process is the most pleasurable experience possible.

Whether this is your first home or your tenth, this guide is intended to help you navigate the home buying financial process.

Let's get started on the journey of getting you the home you want!

Shaina McAndrews

Shaina McAndrews

REALTOR®, Accredited Buyer's Representative (ABR®)
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Shaina McAndrews is a third-generation real estate agent who combines her love for the industry with her passion for the Greater Philadelphia area. Raised in Jenkintown, Chestnut Hill, Oreland, Erdenheim, Flourtown, Glenside, Wyncote, Hatfield, and having more recently lived in Horsham, North Wales, Abington and Ambler (as well as internationally), Shaina knows what it is like to move! Shaina served on the Montgomery County Association of Realtors Board of Directors for 2020-2021 to better serve her clients, community, and colleagues.

Her clients are in excellent hands throughout their transaction as she truly represents their best interests and acts as their trusted advisor. As a full time real estate professional, Shaina responds quickly to clients, offers consultations, and keeps clients informed through her newsletter which offers advice and insight into the current market, buying and selling processes, and homeownership. The real estate market is constantly changing, and Shaina keeps on top of trends through continual education, conferences, involvement in industry related associations, staying on top of the news, and by having good working relationships with other agents.

"I adore Philadelphia and its surrounding suburbs. We are rich in history, diversity, and neighborly love."

During her free time, you can find Shaina volunteering with the Jenkintown Food Cupboard, reading under a tree at Curtis Arboretum, discovering a new favorite dry wine, blogging for MontCoLiving.com, playing boardgames with family and friends, or attempting to cook a new dish.

Shaina currently lives in Ambler with her tabby cat who wishes to remain anonymous.

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Arcadia University Alumni (B.A.)

James Madison University Alumni (M.A.)

EUPS Alumni

Pi Sigma Alpha

TOP 10 REASONS TO BUY A HOME

1. **Quality of Life** - Home ownership is part of a better quality of life for most buyers. The quality of our living situation directly impacts how I feel.
2. **Avoid the Tax Man | Tax Deductions** - Buying a home helps you avoid the tax man with tax deductions for both mortgage interest and property taxes. Property taxes and qualified interest are deductible on an individual's federal income tax return.
3. **Spend Money to Make Money** - With the right real estate consultant, home ownership and the potential for appreciation means that ultimately you have the opportunity to get a return on your investment.
4. **Deferred Gain and Capital Gain Treatment** - A homeowner can exclude up to \$500,000 of capital gain tax if married and filing jointly or up to \$250,000 if single or filing separately when you sell your home. The home must have been the taxpayer's principal resident for the previous two years.
5. **Principal Accumulation** - As a homeowner, a portion of each amortized mortgage payment typically goes to principal, which in the long run is an investment.
6. **It's The American Dream** - Owning a home is THE American Dream. I work with many first time home-buyers; and it truly is a dream come true for them.
7. **Independence** - For many homeowners, one of the greatest freedoms is acquired through home ownership. They can get rid of their landlord and are no longer surrounded by neighbors in an apartment with thin walls. The freedom to do whatever they wish with their homes is a big incentive for many new homeowners.
8. **Leverage** - At the current interest rates, you can put your money to work somewhere else. These days you can still purchase a home for as little as 3.5% down.
9. **Why rent when you can own?** The real cost of renting at \$700 per month with 6% rental increase per year means you will pay \$110,719 over 10 years. Just think, you could almost pay off a home for that amount!
10. **Because you get to work with us!**

5 Buying Tips

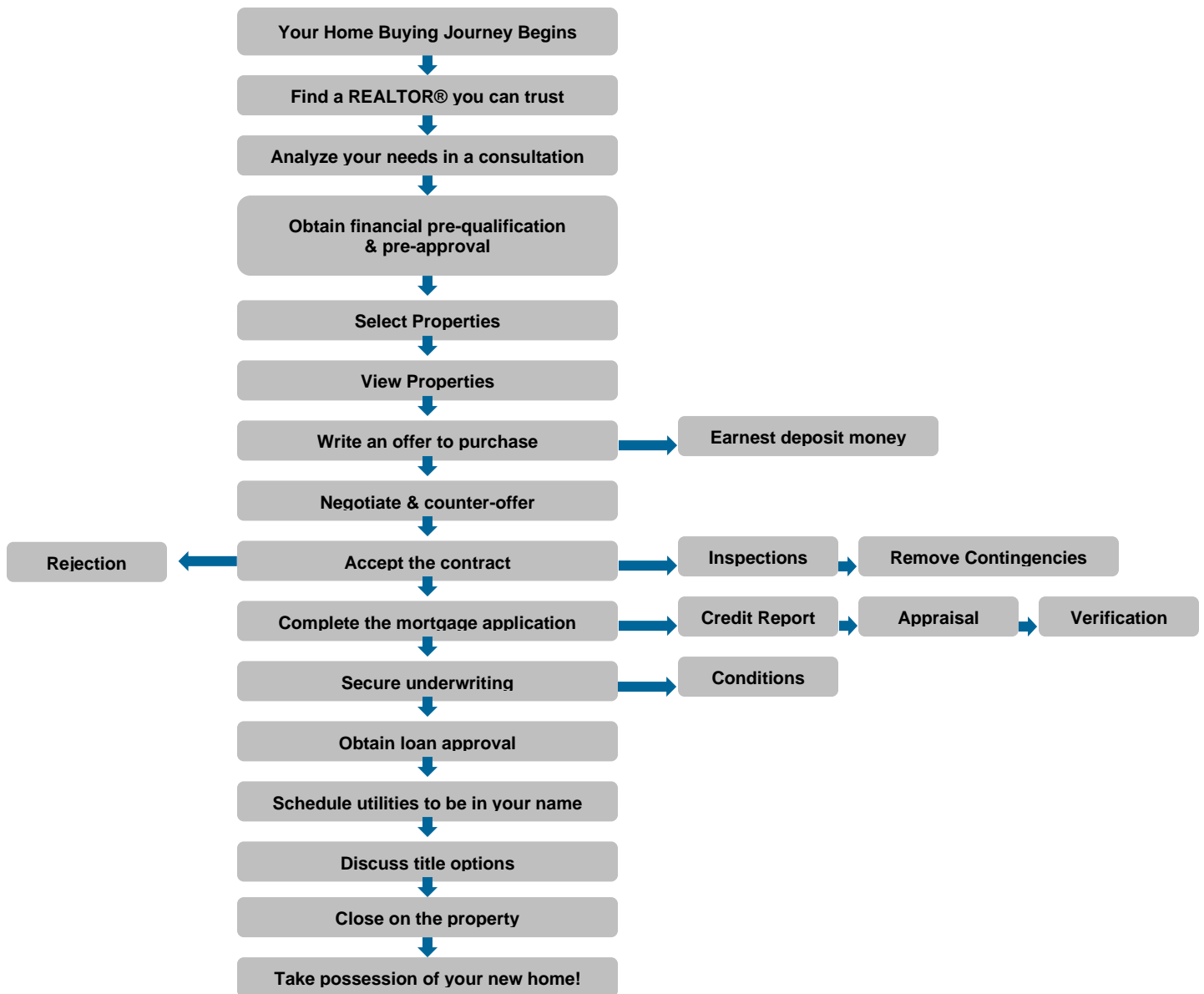
WHEN PURCHASING A HOME

These 5 buying tips will save you time, money, and headaches.

1. **Get Pre-Approved** – before you can seriously consider purchasing a home, it's important to know exactly how much you can afford. This can be the scariest part of the buying process for some. It's perfectly natural to be nervous, but I can put you in touch with someone local you can trust to help get you pre-qualified.
2. **Always Think Resale** – In the US, due to the mobility of our economy, the length of ownership is about 5 to 7 years. This is important to keep in mind when looking for your next home. For instance, homes backing up to a busy street or railroad sell for less, and take longer to sell than other homes in the neighborhood.
3. **Aesthetics Can Be Changed** – flooring, light fixtures, plumbing, paint colors and wallpaper can all be changed. Don't let the lime green wallpaper turn you off of your potential dream home. Think of how much fun it will be to make a home yours!
4. **Don't WAIT!** – too often, I have seen home buyers fall in love with a property, wait a few days to make a decision because they are nervous, and the home that they fell in love with SOLD! If you love the home, don't wait for someone else to live in YOUR home – be prepared to write an offer!
5. **Compare Sales** – to determine the best price to offer, or to know if the asking price is correct, look at the recent sales of similar homes, called “comparable sales.” Comparable sales are recent sales of homes that compare closely to the one you are looking to purchase, usually sold in the past few months. Specifically, you want to compare prices of homes that are similar in square footage, garage spaces, number of bedrooms and baths, lot size, etc. Let me help you with a Buyer's Market Analysis.

Home Buying Process

10 Steps to Buying a Home



Home Buying Process

10 Steps to Buying a Home

1. Get pre-approved with a lending specialist
2. Shop for your dream home with an accomplished real estate professional
3. Choose a top 2 list
4. Place an offer on #1
5. Be prepared for a counter offer
6. Sign and date the effective contract
7. Take note of the contingency timelines
8. Order inspections and negotiate repairs
9. Terminate or proceed with the contract
10. After final approval, go to closing to sign and own your new home

In addition to the 10 steps to buying a home you will need to consider the following up-front costs in order to determine if you have the appropriate cash reserves to get started:

- Earnest money – typically 3-5% of sales price in our market - the amount of earnest money is negotiable and varies with the value of the property. Goes towards amount needed to bring to closing.
- Closing Costs- Varies depending on cost of home and location, lender escrows for taxes, lender fees, title fees, title insurance, and negotiated items in your contract.
- Home Inspection fee - \$450 - \$950 (Other Inspections are additional). Non-refundable.
- Appraisal - \$400-\$875
- Credit report - \$75

Now that you know the upfront costs, let's explore what you will need in order to determine your buying power and how to get pre-qualified for financing.

The Pre-Qualification & Pre-Approval Processes

Now that you know you want to buy a house, how do you know how much you can afford and if you can qualify for a loan? The way to get started is to go through the pre-qualification and pre-approval process with a lending specialist.

Pre-Qualification versus Pre-Approval

1. Pre-Qualification is how much money a bank will lend you based on your income, assets, and debts. Pre-Qualification is typically done over the phone with a lending specialist. This is the first step to get started in the buying process. The lending specialist will do a minimal credit review over the phone which means discussing your credit background. When you begin the Pre-Approval process the lending specialist will actually check your credit but during Pre-Qualification they will simply gather basic information regarding your financial and credit situation.
2. Pre-Approval is a more formal process and includes completing a loan application on-line and providing documentation regarding income and assets. During the Pre-Approval process the lending specialist will ask for authorization to check credit in order to analyze debt ratios. Pre-Approval is typically done when you start looking for houses with a real estate agent or prior to writing an offer. In our market, you will need a pre-approval to look at homes.

What Factors Affect What I Can Afford?

There are three factors that affect how much you can afford when you decide you would like to buy a home.

1. The down payment - do you have enough liquid cash to make a down payment?
2. Your ability to qualify for a loan - as mentioned earlier this is determined during the Pre-Qualification & Pre-Approval Process
3. The associated closing costs on your home.

How Much is My Down Payment?

Contrary to what many people think, there are still loans that have lower down payment requirements depending on the type and terms of the loan. Most loans today require a down payment between 3.0% to 20%. Keep in mind, if you are able to come up with 20% down or more you will eliminate premium mortgage insurance (PMI).

The Pre-Qualification & Pre-Approval Processes (continued from previous page)

How Much are Closing Costs?

You will be required to pay fees for acquiring the loan and other closing costs. These fees must be paid in full at the closing unless you are able to include them in your financing. Typically, closing costs will range between 3-8% of your purchase price.

What Does my Monthly Mortgage Payment Include?

Most lenders require that your monthly payment range between 29-36% of your gross monthly income. Your mortgage payment to the lender includes the following:

- The principal on the loan (**P**)
- The interest on the loan (**I**)
- Property taxes (**T**)
- The homeowner's insurance (**I**)

This is what I call **PITI** and your total monthly PITI and all debt (from installments to revolving charge accounts) should range between 36-45% of your gross monthly income. These key factors determine your ability to secure a home loan: Credit, Assets, Income and Debt Ratios. There are government backed loan programs like FHA if you have a higher debt-to-income ratio up to about 55%.

How Much Home You Can You Afford

Use the following chart to determine your monthly principal and interest payments at various interest rates for either a 15 or 30-year term:

| Interest Rate Factors Per \$1,000 | | | | | |
|-----------------------------------|---------------|---------------|----------------|---------------|---------------|
| Interest Rates | Term 15 Years | Term 30 Years | Interest Rates | Term 15 Years | Term 30 Years |
| 4 | 7.40 | 4.77 | 8 | 9.56 | 7.34 |
| 4 ¼ | 7.52 | 4.92 | 8 ¼ | 9.70 | 7.51 |
| 4 ½ | 7.65 | 5.07 | 8 ½ | 9.85 | 7.69 |
| 4 ¾ | 7.78 | 5.22 | 8 ¾ | 9.99 | 7.87 |
| 5 | 7.91 | 5.37 | 9 | 10.14 | 8.05 |
| 5 ¼ | 8.04 | 5.52 | 9 ¼ | 10.29 | 8.23 |
| 5 ½ | 8.17 | 5.68 | 9 ½ | 10.44 | 8.41 |
| 5 ¾ | 8.30 | 5.84 | 9 ¾ | 10.59 | 8.59 |
| 6 | 8.44 | 6.00 | 10 | 10.75 | 8.77 |
| 6 ¼ | 8.57 | 6.16 | 10 ¼ | 10.90 | 8.96 |
| 6 ½ | 8.71 | 6.32 | 10 ½ | 11.05 | 9.15 |
| 6 ¾ | 8.85 | 6.48 | 10 ¾ | 11.21 | 9.33 |
| 7 | 8.99 | 6.65 | 11 | 11.36 | 9.52 |
| 7 ¼ | 9.13 | 6.82 | 11 ¼ | 11.52 | 9.71 |
| 7 ½ | 9.27 | 6.99 | 11 ½ | 11.68 | 9.90 |
| 7 ¾ | 9.41 | 7.16 | 11 ¾ | 11.84 | 10.09 |

1. Find the appropriate interest rate from the chart above.
2. Look across the column to the appropriate term to determine your interest rate factor.
3. Multiply the interest rate factor by your loan amount in \$1,000s.

Example:

- Interest Rate = 6.5%
- Desired term = 15 years
- Interest rate factor per \$1,000 = 8.71
- Mortgage = \$200,000
- Monthly Principal & Interest = \$1,742 (8.71 x 200)

Add your monthly insurance premium and your property tax to your principal and interest to determine your total monthly payment.

The above information is provided as a guide. I strongly recommend that you contact our lending specialist to determine exactly home much you can afford.

Loan Application

CHECKLIST

Most lenders will have you go online to apply in order to gain pre-approval. Following is the information you need to provide during the loan application process (these documents are usually uploaded to the lending specialist through a secured link):

General

- Non-expired Government ID and Social Security Number
- Name and complete address for past 2 years of residence

Income

- Employment history, including names, addresses, phone numbers for the past 2 years.
- Copies of your most recent pay stubs and W-2 forms (past 2 years).
- Verification of other income (social security, child support, retirement).
- Copies of signed tax returns including all schedules (past 2 years).
- Social Security & Pension Award letters.
- If you have rental property income: Copies of all signed lease agreements.

Assets

- Copies of all bank statements from checking/savings accounts (past 2 months).
- CD certificates and statements for retirement accounts (most recent 2 months or quarterly statement).
- Gift funds will need gift letter of proof of gift.

Creditors

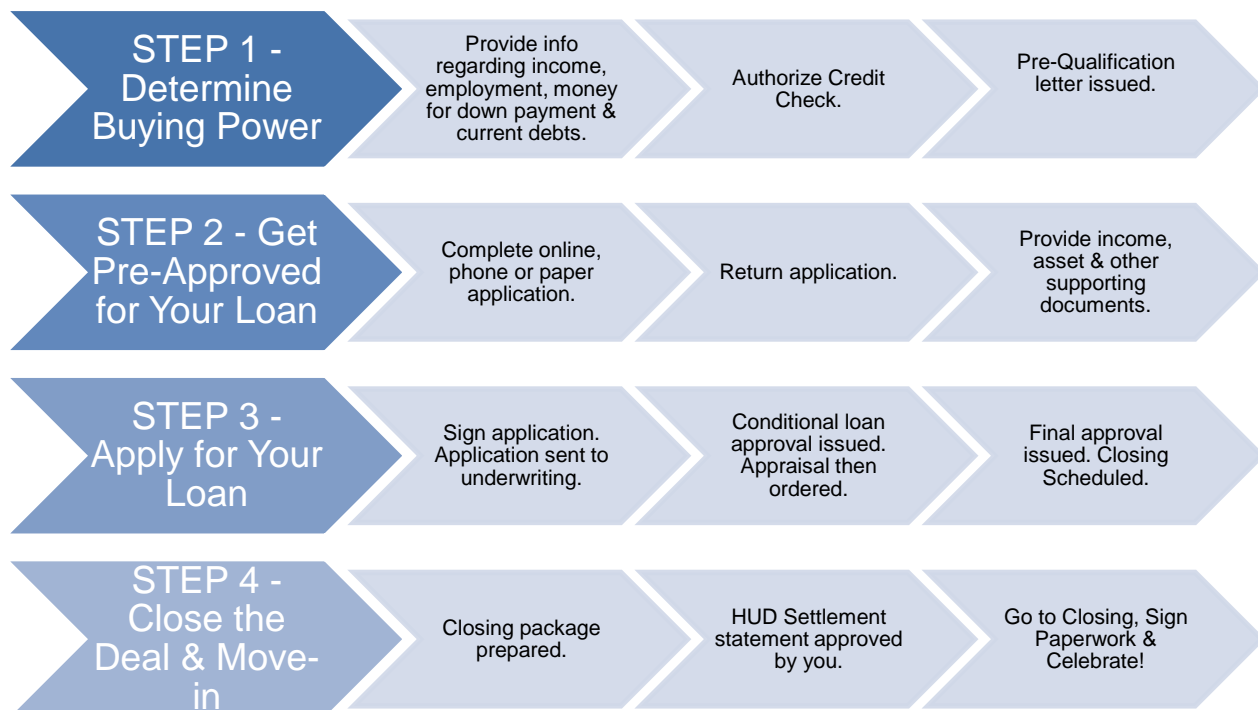
- Credit cards (current balances and monthly payments).
- Installment loans (car, student, etc.).
- Mortgage loans (property address, lender with address, account numbers, monthly payment and balance owed on all properties presently owned or sold within the last 2 years). Bring proof of sale for properties sold..
- Childcare expense/support (name, address, phone number). [VA loans only]

Other

- Bankruptcy – bring discharge and schedule of creditors.
- Adverse credit – bring letters of explanation.
- Divorce – bring your Divorce Decrees, property settlements, quitclaim deeds, modifications, etc.
- VA only – bring Form DD214 and Certificate of Eligibility.
- Retires – bring retirement and/or Social Security Award Letter.

HASSLE-FREE LOAN PROCESS

Our preferred lending specialist provides the following 4-step process:



10 COMMANDMENTS

WHEN APPLYING FOR A REAL ESTATE LOAN

Last but not least, these are important rules to follow to ensure a smooth loan process.

1. Thou shalt not change jobs, become self-employed or quit your job.
2. Thou shalt not buy a car, truck or van (or you may be living in it)!
3. Thou shalt not use charge cards excessively or let your accounts fall behind.
4. Thou shalt not spend money you have set aside for closing.
5. Thou shalt not omit debts or liabilities from your loan application.
6. Thou shalt not buy furniture.
7. Thou shalt not originate any inquiries into your credit.
8. Thou shalt not make large deposits without first checking with your loan officer.
9. Thou shalt not change bank accounts.
10. Thou shalt not co-sign a loan for anyone.

I hope you have found this guide valuable. When you are ready, give me a call!

Recommendations

Local Lenders Past Clients Have Used

This is the short list of lenders recommended by past clients of myself and my brokerage. I go above and beyond for my clients and I expect anyone that I recommend do the same. Please note that I do not receive any kickbacks from anyone that I recommend as that would be unethical.

Blakely Mus

Loan Officer
Cross Country Mortgage
610-320-2775

www.crosscountrymortgage.com/Blakely-Mus

Blakely.Mus@myccmortgage.com

NMLS#1854092

Mark Mawby

Vice President of Lending
Roundpoint Mortgage

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Corey Gee

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