

# Instructions

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THE  
**SIMPLIFIED GUIDE  
TO HOMEBUYING**

*Learn about the homebuying process and prepare yourself for a success experience!*



# Introduction

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## Achieve the American Dream

For most consumers, owning a home is a core value of the American Dream. It's also the most expensive purchase the average consumer will make. Purchasing a home can be a complicated process - with all the steps, tasks, and different parties associated with purchasing a home, it can be difficult to navigate, especially with the wrong agent. Plus, demand for homes is high in most real estate markets, and you need to compete against other buyers.

Even with technology and ease of access to information available to consumers, it's in your best interest to work with a real estate professional who can guide you through the complicated homebuying process. That's why, according to the National Association of REALTORS®, "[89% of Americans purchase their homes through a real estate agent or broker.](#)"

To make the complex homebuying process more digestible, we've created this easy-to-follow guide that educates you about the process and simplifies it. In this guide, we'll go over:

- **Benefits of Homeownership:** So, you know all the value you'll receive from owning a home.
- **Professional Parties and Each Step Involved in the Homebuying Process:** So, you know who and what to expect during the process.
- **Advantages of Working with a Real Estate Professional:** So, you know my responsibilities, what to expect from me, and how to choose the right representation for yourself.
- **Common Homebuying Mistakes:** Since there are many mistakes a homebuyer can make during a transaction, I'll cover the most common mistakes and how to avoid/prevent them.
- **How Mortgage Loans Work:** So, you can start your search for a lender and get the best offer.

Additionally, I'll share 2 activities for you to complete. The first activity helps you prioritize home features, amenities and proximity preferences. This helps us set a basis for the type of homes I'll share with you and the area. The second activity helps you understand your expectations and preferences for your home search plus your purchasing power. I've also included a list of common real estate terms to help you understand the lingo and a game plan to help you keep track of tasks.

Ready to have a simple, stress-reduced homebuying experience? Use this guide to help you understand the homebuying process and ensure you have the best experience possible!

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# 1. Important Contact Information

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**1) Brokerage:**

Address:

Phone #:

**2) Real Estate Agent:**

Phone #:

Office #:

Email:

Website:

**3) Mortgage Company:**

Lender:

Address:

Email:

Phone #:

**4) Insurance Company:**

Insurance Agent:

Address:

Email:

Phone #:

**5) Title Company:**

Escrow Agent:

Address:

Email:

Phone#:

## 2. The Benefits of Homeownership

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### 1) Higher Quality of Life

Compared to renters, most homeowners say they're [happier and healthier](#) since purchasing their homes. They tend to be more involved in the community and host more parties with friends/family. They often start new hobbies like gardening, cooking, and grilling too. Since owning a home takes a lot of work, homeowners say it also gives them a sense of pride and purpose.

### 2) Better Education Opportunities

According to a National Association of Realtors study, [Social Benefits of Homeownership and Stable Housing](#), a purchased home can provide a more stable, nourishing, and enriching environment for children than a rental. Generally, education opportunities are more common in neighborhoods with higher rates of homeownership and community involvement. Children of homeowners are more likely to achieve higher levels of education and higher levels of earnings.

### 3) No Landlord

Landlords can be a nuisance, especially when they are difficult to get a hold of, are late to reply to maintenance requests, or increase rent - you can say goodbye to all of that as a homeowner.

### 4) Save Money by Avoiding Rent

Rent across the USA continues to increase. Depending on several factors, like the length of your tenure, your interest rate, and the price of your home, you could pay less per month for your mortgage than your rent. Plus, the money that you pay, helps you build equity.

### 5) Accumulate Wealth by Building Equity

Equity is the amount of home you've paid off and actually own – it doesn't include your debt. So, if you paid \$100,000 and have \$100,000 of debt on your \$200,000 home, your equity is \$100,000. You build equity and increase the market value of your home through a larger down payment, by paying off your loan, if local home prices increase, through home improvements, etc.

### 6) Long-Term Appreciation Potential

If you're planning on staying in your new home long-term, it's very likely your home will appreciate or increase in value. Home appreciation, aka return on investment, depends heavily on the location of the home. Generally, the value of the land will increase as the actual structure depreciates over time.

### 7) Deferred Gain and Capital Gain

Thanks to the [Taxpayer Relief Act of 1997](#), a single person could pay no capital gains tax on the first \$250,000 of profit from selling your home - \$500,000 for married couples.

### 8) Tax Deductibility of Mortgage Interests

If the principal loan of your mortgage loan is \$750,000 or less, you could deduct interest expenses from your income taxes through itemization or by filing for a standard tax deduction.

### 9) Tax Deductibility of Property Taxes

You can file a combination of state/local income taxes or sales tax, but only on the property owned.

### 10) American Dream

For many people around the world, getting a good job, purchasing a home, and starting a family in the United States is the American Dream. It has been in our culture since the early 1930s and it indicates a milestone or sense of achievement for about 90% of Americans.

# 3. Advantages of Buying with an Agent

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## 1) Find a Home

The primary reason home buyers work with an agent is for assistance finding a home to purchase – [about 88% use an agent or broker](#). I have access to the newest available listings and the most up-to-date information on homes. Plus, we can filter homes by your preference and alert you as soon as a home is available so I can be the first to schedule a showing.

## 2) Negotiating Skills

Not everyone is an expert negotiator, but thankfully, I am!. Not only can I negotiate the price of a home, but also the contract and terms of sale.

## 3) Dedicated Time

I can save you time by attending appointments and open houses, replying to phone, email, and texts, managing the relationship with the listing agent, scheduling showings, sharing listings filter by your preferences, organizing paperwork, communicating with the lender, and other tasks on your behalf.

## 4) Sales Experience

Working with me ensures you get the best deal, and that your homebuying process will go smoothly, and will be compliant with state and local regulations.

## 5) Ongoing Guidance and Advice

Buying a home is an expensive and complex process. It involves a large amount of money, several steps, many legal documents, and a variety of parties to complete. I can guide you through the whole process, offer advice, answer any questions, provide market insight, recommend services, and prevent mistakes so you have the best experience possible.

## 6) Service Provider Network

I work with a wide range of service providers, and can recommend services like lenders home inspectors, repair companies, movers, and more. If you're from out of town or are not familiar with the area, I can recommend local businesses, public parks, and other types of points of interest.

## 7) Paperwork Expertise

Remembering all the documents and deadlines required to complete a home purchase isn't easy. I can explain these complex documents, help you keep track of them, remind you of deadlines, and submit documents to the correct agencies throughout your homebuying process.

## 8) Seller Access

I have a network of connections with constituents in the community that could help you – by offering insider information about a specific neighborhood and neighbors as well as recommendations for schools and local businesses.

## 9) Local Market Knowledge

I have access to all the listings through the Multiple Listing Service (MLS) and can provide detailed reports on the local market activities, trends, neighborhoods, schools, and local points of interest. Plus, I've lived here for quite a while and know the area very well.

# 4. Common Homebuyer Mistakes

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## 1) Looking for a Home Before Consulting a Mortgage Lender

There are many reasons you should apply for a mortgage before looking at homes. First, it helps you set a price range for homes you can afford. Second, it provides proof that you have the financial ability to buy a home. Finally, it signals to sellers and buyer agents that you're serious about purchasing and not just browsing. It's also important to build a close relationship with your lender because you'll be working with them frequently.

## 2) Buying More House than You Can Afford or Maintain

When a lender sets and approves a loan, they don't factor in your living expenses like groceries, utilities, or insurance. Additionally, larger homes have higher monthly utility, maintenance, and repair costs, so you could quickly run out of money by omitting these costs from your monthly expenses.

## 3) Mismanaging Your Finances and/or Credit Before Closing

Changing or quitting your job, purchasing expensive products like a car or boat, opening an additional line of credit, hard credit checks, and co-signing a loan for someone else are just a few ways you can jeopardize a final loan approval before closing on a home. To ensure you have the best experience, keep your finances in line, don't make any major changes, and spend money conservatively throughout the buying process.

## 4) Overlooking Government Loan Options and Regulations

A conventional loan isn't the only option for financing a home purchase. Homebuyers with a small amount of savings but good credit can apply for a home loan from government agencies like the Federal Housing Administration (FHA) or the US Department of Veteran Affairs (VA). You should also be aware of any local regulations updates that impact homeowners like increasing property taxes.

## 5) Underestimating the Total Costs of Homeownership

Repairs, home improvements, property taxes, landscaping, utilities, Homeowners Association (HOA) dues, homeowner's insurance, and furniture are the most common expenses that homebuyers don't factor into homeownership. These expenses can add up quickly, causing homebuyers to go into debt. Create a list of your possible expenses and research the average rates for your desired locations.

## 6) Not Budgeting for Closing Costs

In addition to the down payment, you must also plan to pay closing costs for your home purchase. These can be property-related like appraisal and home inspection fees as well as title search and insurances. Closing costs can also be mortgage-related like legal, lender, credit report, application, and other local fees – to name a few. To properly plan for closing costs, consult your agent and lender.

## 7) Making too Small of a Down Payment

Take time to save up for at least a 20% down payment or as much as possible. You might feel like you are saving money by paying a smaller down payment, but you could pay more in the long run due to borrowing a larger loan and paying more in interest.

## 8) Only Focusing on the Home

Your home purchase includes more than just the home, it also includes the yard, the neighbors, the neighborhood, vehicle traffic, amount of travel for a commute to work, school district, and local regulations – some of which can influence the potential value of your home. Do your research, investigate the neighborhood, and get as much information about the surrounding area as you can.

# 5. The Players in Real Estate

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## 1) The Agent

A professional with a real estate license that represents a buyer and/or a seller during a real estate transaction. Agents act as a liaison between all parties in a real estate transaction and they can help you understand the real estate process, negotiate price, and process paperwork.

## 2) The Broker

An agent that has gone through more training, has passed more exams to receive a more advanced real estate license, and can, therefore, own a real estate business and hire salespeople. There are three major types of real estate brokers: a designated broker, who manages and oversees the brokerage; a managing broker, who manages the day-to-day operations like managing salespersons; and an associate broker, who acts as a salesperson with more experience and education.

## 3) The Seller's (Listing) Agent

The person who works with the home seller during a real estate transaction. Some responsibilities of a seller's agent are to list the property they are selling, help set a price for the home, market the home to potential buyers, negotiate offers, coordinate the sale and closing process, and more.

## 4) The Buyer's Agent

The person who works with the home buyer during a real estate transaction. They are responsible for providing guidance through the buying process, finding their client a suitable property to buy, scheduling showings, negotiating price and terms of sale, and more.

## 5) The Mortgage Lender

The financial institution that lets you borrow money for your mortgage loan. Since you'll be working closely with your lender, even after you close. So, it's in your best interest to choose one with good communication skills and to build a relationship with them. Since a lender can help you determine a price range for your budget for a home, it's recommended that you start working with one before you begin searching for a home to buy.

## 6) The Appraiser

An independent third party that determines the monetary value of the property. They will do a walkthrough of the home, which includes examining the exterior, interior, amenities, and upgrades.

## 7) The Home Inspector

An independent third party that presents the buyer or the seller and determines the structural integrity and safety of the property as well as identifies any damages to the home.

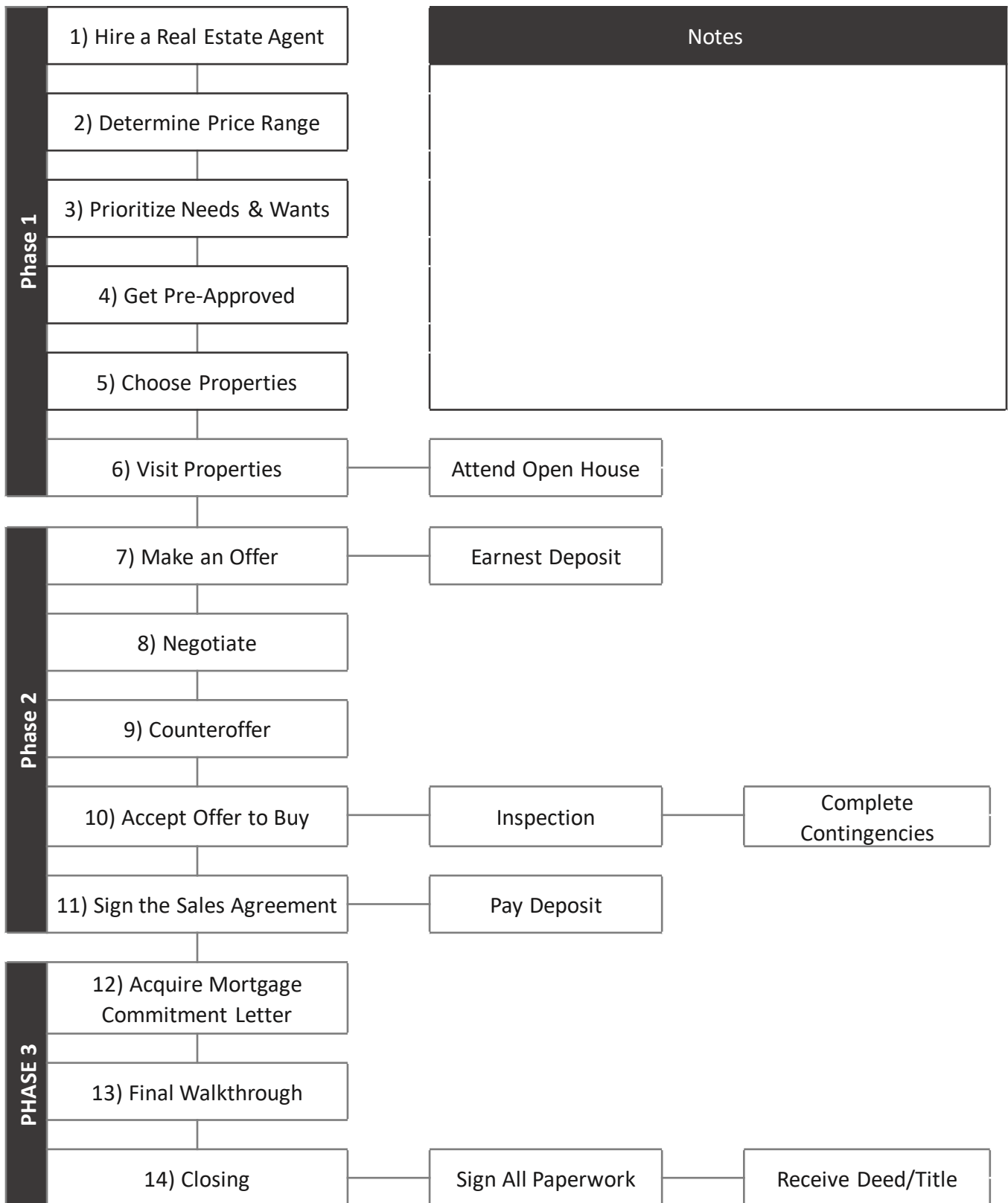
## 8) The Closing Attorney

A real estate attorney who specializes in real estate law. They can provide guidance and help you understand the legal documents associated with a real estate transaction. Since they work with both the buyer and sellers, you will usually encounter them during the closing phase of your transaction.



# 6. The Homebuying Process

Use this outline to guide you through a typical homebuying process.



# 7. How Mortgage Loans Work

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A mortgage loan is a contract that helps you finance the purchase of a home. You and your lender will work together to choose the best mortgage option for you. Then they'll offer an amortization schedule that outlines payment periods to pay off the loan. The home acts as collateral for the contract, so if you fail to uphold your end of the terms, the financial institution can seize your home.

## 1) A Mortgage Loan Includes:

- The Loan Amount
- The Interest Rate
- The Term of the Loan
- Deadlines to Repay the Loan with Interest.

## 2) Types of Mortgage Loans

- **Conventional Loans:** These types of loans can be fixed-rate or adjustable-rate. A fixed-rate loan offers stability because it doesn't change over the lifetime of the mortgage. An adjustable-rate loan depends on an index and a margin. In addition to the type of mortgage rate, you will also need to choose the mortgage term - the length of time that you'll repay the loan. The mortgage term options are 30, 15, and 10 years. Choosing a longer mortgage term usually means you'll make more payments and interest.
- **Government-Back Loans:** Homebuyers with a small amount of savings but good credit can apply for a home loan from government agencies like the Federal Housing Administration (FHA), the US Department of Veteran Affairs (VA), or the US Department of Agriculture (USDA), among other types of loans.

## 3) How to Qualify for a Mortgage

Your lender will examine your credit score, debt-to-income ratio, income, and down payment before they determine whether you qualify for a mortgage loan. Therefore, you will need to documentation to prove your financial history like W-2s, your bank account information, etc.

## 4) Before Shopping for A Mortgage

- **Interview at Least 3 Lenders Before Choosing One:** You want to get the best deal on a mortgage loan, so interview at least three lenders and compare their services as well as what they can offer you.
- **Know Your Credit Score:** It plays a major role in getting approved and affects your interest rate. Generally, the higher your credit score is, the lower your interest rate will be.
- **Calculate the Amount You Can Afford:** Just because a lender says you can spend X amount, doesn't mean you should. You must also have enough savings to pay for any emergencies like if the water heater unexpectedly breaks. Use an affordability calculator to determine the amount of home you can afford while maintaining enough emergency savings. You must also consider home insurance, property taxes, and closing costs.

# 8. Activity 1: Home/Proximity Prioritization

Use this list to help you prioritize home features, amenities, and neighborhood preferences.

Home Features							
Feature/Amenity	Need	Want	N/A	Feature/Amenity	Need	Want	N/A
# of Bedrooms				Overall Feel/Look			
# of Bathrooms				Style of Home			
Master Bedroom				Open Floor Plan			
# of Bonus Rooms				Carpet Floors			
# of Stories				Hardwood Floors			
Kitchen Size				Vinyl/Laminate Flooring			
Bedroom Size				Kitchen Appliances			
Living Room Size				Washer/Dryer			
Dining Room Size				Dish Washer			
Laundry Room				Garbage Disposal			
Closets				New Appliances			
Workshop/Office				Air Conditioning			
Backyard				Central Heating			
Attic				H2O Filtration System			
Basement				Enviro-Friendly Appliances			
Garage				Fireplace			
Carport				Gutters/Downspouts			
Housing Sqft.				Patio/Deck			
Size of Lot				Porch			
Storage Space				Lawn/Yard Space			
Closet Space				Fencing			
New Windows				Pool			
Skylight				Hot Tub or Jacuzzi			
Natural Light				Firepit			
Views				Built in BBQ			
Cellphone Reception				Security System			
Age of House				Bathtub			
Age of Roof				Drought Resistant Lawn			
Age of Pipes/Plumbing				Crawl Space			
Age of Electrical				Slab			

Proximity Preferences							
Near Work				Near Fire Station			
Near School				Near Hospital			
Near Daycare				Near Church/Synagogue			
Near Parks				Near Freeway Access			
Near Dog Park				Near Public Transportation			
Near Entertainment				Near Water (Lake/Ocean)			
Near Shopping				Pet Restrictions			
Near Grocery Stores				Street Parking			
Near Police Station				Other			

# 9. Activity 2: Homebuyer Questionnaire

Use these questions to understand your expectations and preferences for purchasing your new home.

General	
Are you currently working with an agent or broker? If yes, who?	
How long have you been looking for a house?	
How many people will be moving with you?	
Do you have children? If yes, how many?	
Do you have any pets? If yes, how many?	
What is your preferred move in date and why?	
Do you need to sell a property before you can purchase a new one? If yes, what's its status?	
Are you currently leasing? If yes, when will your lease expire?	Date:

Home Preferences	
Will your new home require accommodations for anyone with disabilities, conditions, or other circumstances? Which ones?	
What is your price range?	
What's your renovation budget?	
What's your square footage preference?	House: <input type="text"/> Lot: <input type="text"/>
How many bedrooms?	
How many bathrooms?	
Master bathrooms?	
Do you want a garage? If yes, how many spaces?	
Do you want a backyard? If yes, how big?	
Do you prefer a 1) Single-family home, 2) Townhouse, 3) Condominium, 4) Multi-family, home, or 5) Land?	

What are your preferred neighborhoods and why?	
How far north and south would you buy a home? (Name one street for both)	
How far east and west would you buy a home? (Name one street for both)	
Do you have a preferred school or school district that you want to live near? If yes, which one?	
Which amenities do you require?	
Where do you want to live by? List specific points of interest you frequent.	

### Your Finances

Where are you employed? For how long?	
Where is your spouse employed? For how long?	
What is your annual household income?	
Have you set up financing? If not, would you like help?	
Have you been pre-qualified or pre-approved by a lender? If yes, for how much?	
Can you provide documentation of this amount?	
What is the name and company of the lender that pre-qualified you?	
How much cash can you put down to purchase your new home?	
Have you set aside enough funds to cover earnest money (In general, it's around 1% of the purchase price) and closing costs?	
What is your monthly budget for payments?	

### Other Information

What websites do you use to view properties?	
If you have any other preferences or notes not mentioned above, please write them down below:	

# 10. Your Homebuying Gameplan

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Use the list below to keep track of important tasks to complete, their deadlines, and your progress throughout the homebuying process.

<u>To Do</u>	<u>Deadline</u>	<u>Date Completed</u>
1) Complete Loan Application:	_____	_____
2) Sign Buyer's Disclosure:	_____	_____
3) Sign Seller's Disclosure:	_____	_____
4) Pay Earnest Deposit	_____	_____
5) Schedule Home Inspection:	_____	_____
6) Submit Written Contingencies Notice (for all requested repairs from the inspection):	_____	_____
7) Completion of Negotiated Repairs:	_____	_____
8) Submit Title Commitment:	_____	_____
9) Apply for Insurance:	_____	_____
10) Loan Approval Date:	_____	_____
11) Closing Date:	_____	_____
12) Moving Date:	_____	_____

# 11. Common Real Estate Terms

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Use this list to help you understand the definitions of important homebuyer terminology.

**Adjustable-Rate Mortgage:** A loan with an interest rate that changes based on a financial index causing monthly payments to rise and fall.

**Amortization:** Paying off your debt in incremental payments, instead of one full payment.

**Appraisal:** A professional report from a 3rd party that estimates the value of a property for you.

**Closing:** The final meeting where both parties sign the required paperwork and ownership of the property is transferred to you.

**Closing Costs:** Additional fees associated with the transaction, not including the cost of the home.

**Contingencies:** Required conditions that must be met before the closing. The contract can be canceled if these conditions are not met.

**Debt Ratio:** The ratio between your income and debt. A loaner will use this ratio to determine the amount of money they are willing to loan you.

**Deed:** The written document that is used to transfer ownership of a property to you.

**Down Payment:** The upfront cash payment for a property, the rest is paid through a mortgage.

**Earnest Money:** The deposit you pay when you sign the contract to show you're a serious buyer.

**Escalation Clause:** A clause in a contract that increases your offer when a new offer is made.

**ESCROW:** Money, deed, and other documents kept in the custody of a 3rd party – closes once all contingencies are met.

**Equity:** The value of the property minus the amount left on your mortgage.

**Federal Housing Administration (FHA) Loan:** A mortgage insured by the Federal Housing Association – usually requires a good credit score and a down payment to qualify.

**Final Walkthrough:** The last inspection of the property before signing the closing documents.

**Fixed-Rate Mortgage:** The opposite of ARM – a loan with an interest rate that stays consistent.

**Foreclosure:** When the lender takes ownership of a property due to failed payments by the buyer.

**Home Inspection:** A report by a professional that examines the health of a property, structure, etc.

**Homeowners Association (HOA):** A private organization often formed by a real estate developer to manage homes and lots in a residential subdivision.

**Lender:** An entity that issues mortgage loans.

**Mortgage:** The loan from a lender or bank used to purchase your home.

**Multiple Listing Service (MLS):** The list of properties that are for sale – the most reliable and up-to-date source for listing information.

**Pending:** When an offer was accepted, the contract is signed, and all contingencies are met.

**Pre-Approval:** The lender's process of accessing your financial capabilities - based on your income, debts, credit score, assets, etc.

**Pre-Qualification:** A lender has pre-determined that you qualify for a mortgage loan.

**Property Tax:** The local taxes you're required to pay to the city your home is in.

**Real Estate Agent:** A licensed professional that represents a buyer or seller.

**Real Estate Broker:** A licensed professional that represents a buyer or seller – they can own and operate a brokerage with subordinate agents.

**REALTOR®:** A designation the agent is a member of the National Association of REALTORS®.

**Settlement Statement (aka HUD-1):** Documents with your sales transaction and closing costs.

**Title (aka Title Deed):** The legal document that shows the history of ownership and transfers of property – proves you are the current and rightful owner of the property.

**Under Contract:** The seller and buyer have agreed to a contract, but contingencies haven't cleared.

**VA (Veteran Affairs) Loan:** A mortgage issued to US veterans by the Dept. of Veteran Affairs.