



Currie McCullough Realtor
Brand Name Real Estate

843-853-2004 www.gocharlestonsc.com

currie@me.com

Buying a home, a guide for first time home buyers

1. Mortgage, prequalification, this is the first step to purchasing your first home! The initial “pre-qual” can be done over the phone, the mortgage broker will need your date of birth and social and very little more, you also need to discuss the payment “comfort zone” because he can tell you the purchase amount you need to get your payment into the right “zone”. They will also give you an idea of how much money you will need for your down payment and closing costs. Here are some additional subjects to discuss with the mortgage broker

2. 1. Interest rates 2. Origination fees 3. Different loan product

4. A good candidate for a mortgage: Must consider your DTI (debt to income ratio), savings account, two years employment history (taxes returns, w2s) good credit *ask your mortgage broker

*reality check: not all mortgage brokers are created equal, make sure that you have chosen someone your agent knows can close the deal!

Down payment (at least 3.5% of the purchase price In other words if your purchase price is \$100,000 your minimum down payment is \$3500) *this does not include closing costs

5. Tax Credit: You might want to discuss with your accountant the tax benefit and right offs associated with home ownership. As of right now, they have revoked the first time buyer tax credit.

*reality check: having a healthy savings is a good thing when buying a home

6. Shopping for a house: yeah this is the fun part! Determine needs, style, and location but keep an open mind and listen to your realtor. They have tons of experience and can advise you on neighborhoods and investment values as well as construction quality* try to see past superficial details, your realtor can help you in this: We’ve been in thousands of houses and can help you spot a diamond in the rough. Reality check: don’t see more than 5 houses in one day, you won’t remember any of them.

7. Making an offer. Great you have found one you like. It's time to put pen to paper. This is your realtor's most important role; we study contract law to protect you. We will explain your contract item by item, ask questions *see glossary for terminology. Don't fret; making an offer is like putting a toe in the water.
8. Earnest Money: This is the check that will be held in escrow, it is your money and gets refunded back to you at closing or applied towards your closing costs. The amount is typically 1% of the purchase price of the home. This is also the money that the seller gets to keep if you "skip town". There is more to this, just ask me, I will explain.

*Reality check: be committed but not fixated: this is the first step, prepare to see it through but willing to walk away if your needs aren't met.

8. Ratified contract: Yeah! A meeting of the minds, at this point we have negotiated: price, terms, schedule toward closing and both parties have signed:

*Reality check: this is a binding legal contract: don't fret, if the terms are not met we ensure that exiting the contract if needed and refunded your earnest money is what we handle.

9. Inspections, Appraiser, CL100

You hire a home inspector (normally \$400-\$800 based on square footage) to perform a top to bottom expert examination of the home, there will ALWAYS be issues even if buying a new house, and all of the things do not NEED to be fixed. This is a way to prioritize needed repairs and know what you might have to "look forward to" repairing in the future.

The bank sends out the appraiser to determine the "value" of the home. This is the value that the bank looks at to determine the "security" of the loan (Please keep in mind that at this time due to market conditions appraisals are extremely low and appraisers are basing the "value" on contract price primarily)

A termite company performs the CL100 inspection. These inspections are to look for past and present termite damage and evidence of infestation. They will also determine the severity of damage or recommend further

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evaluation by a licensed contractor. The cost is around

\$100

10. Closing Attorney: As long as there are no problems by this point we should schedule the closing. The closing attorney represents both buyer and seller. The attorney will initiate the title search and procure title insurance, and prepare the deed and the HUD statement. (Attorney fees are around \$350-\$500 paid for by the buyer/seller has additional costs).

*reality check this is the time to order your "WE'VE MOVED" postcards.

11. Final walk thru: this is usually the night before or the morning before the closing, you also want to make sure by now that the water and power is scheduled to be transferred into your name by the time of closing.

12. CLOSING!!! Congratulations! don't forget to bring certified funds (from your bank) for your closing costs and down payment, your mortgage broker will let you know the amount in advance but make sure to call the closing attorney the morning of the closing to make sure the amount is correct as there are often small last minute changes to be made to the HUD statement.

*reality check, some closings last an hour and some last all day...several factors might postpone your closing, so being patient and excited about your new home will be a challenge, but it is all part of the process. After the closing documents are signed you will get copies of all documents and a set of keys to your new house!

Whether you owner occupy your home or not is a big deal when it comes to property tax. If you do intend to owner occupy your closing attorney will instruct you as to how you go about filing the paper work necessary to retain your PRIMARY RESIDENCE status with the County Tax Assessor, the importance of this can't be over stressed as it could greatly effects your escrow!