



becky sells real estate

FIRST TIME HOME BUYER HANDBOOK

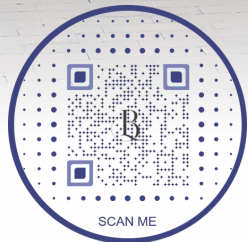
A HIGH LEVEL OVERVIEW

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Courtesy of :

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The Market is Exciting to Watch

Dear First-Time Home Buyers,

Congratulations on taking the exciting step towards homeownership! It's an adventure filled with possibilities. You might have already noticed that home values are increasing due to rising interest rates. This is partly because there aren't many homes available for sale, making the market more competitive. To succeed in this market and find your dream home, you'll need determination and perseverance. That's the first thing. The second thing is finding the right people to help you, like your lender and realtor partner, who understands your goals and can guide you along the way.

Interest rates are still relatively low, especially when compared to the past. Back in the 80s, interest rates were as high as 18%! By locking in your loan at the right time and working with the right realtor partner, you can benefit greatly. This will provide a strong foundation for future wealth and stability. Together, we can strengthen our community and create stability for everyone we care about.

Recent laws, like SB9, have created opportunities for homeowners to improve their finances even more. You can add extra living spaces, like ADUs, to your home and generate additional income. These changes in rules open up new possibilities for homeowners to make the most of their investment.

Although the current market might seem challenging and the news can be discouraging, there are still opportunities for you. Buyers who are determined and committed have an advantage. By negotiating smartly and thinking creatively, you will find success.

Having a knowledgeable agent by your side is more important than ever. I'm excited to share that I recently became a Green Realtor and will become a licensed Broker in 2023. This means I have the knowledge and skills to guide you through the home-buying process, ensuring you make informed choices every step of the way. I'm also thrilled to help you explore programs that can enhance your homeownership experience. There are programs that offer rebates for removing unnecessary lawns, grants for adding extra living spaces, tools to predict the income you can get from those spaces, and even ways to switch to electric utilities instead of natural gas. I'm committed to helping you make the most of these resources. Outside of real estate, I find joy in teaching advanced courses on real estate and entrepreneurship at a local university. I also lead yoga sessions in the community to promote mental well-being, which is important as you settle into your new home.

As you continue on this exciting journey, I wish you ongoing success and many opportunities that benefit not only you but also those around you. Let's work together to create a thriving community where homeownership brings lasting happiness and achievements.

Warmest regards,

Becky LeBret

BeckySellsRealEstate.com

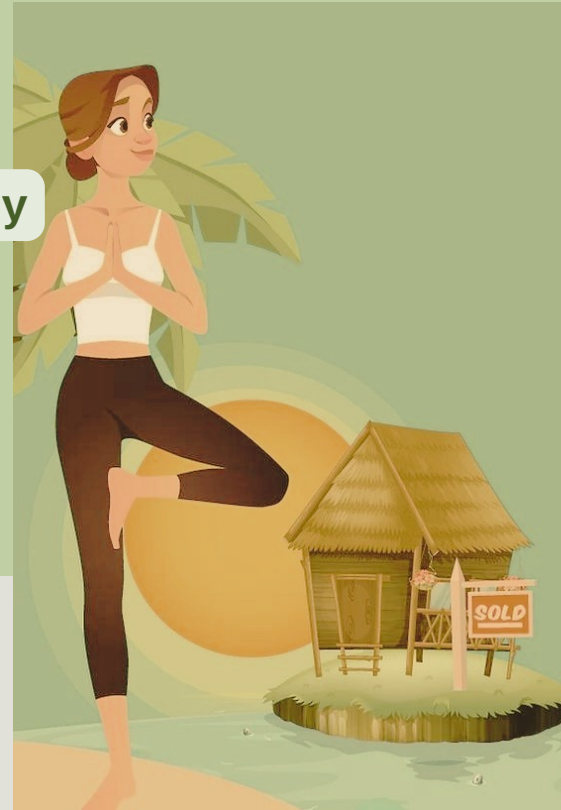


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3 THINGS A BUYER NEEDS TO PURCHASE A HOME

- 1 Credit-willingness to pay
- 2 Income-capacity, stability, ability to pay
- 3 Savings-capital



Why Purchase a Home?

Stable Housing Costs

Tax Benefits

Equity and Wealth Building

Control Over Your Environment

Stability

Affordability



You need to know about:

- Credit
- Employment History
- Assets
- Renting vs. Buying a Home
- Available Loan Programs

UNDERSTANDING YOUR CREDIT

You need to:

- ✓ Know your Credit Score
- ✓ Understand Credit Do's and Don'ts
- ✓ Credit History: 
 - Bankruptcy
 - Foreclosures
 - Short Sale
 - Unpaid Taxes
 - Garnishments



EMPLOYMENT

➤ HISTORY

- Employment History
- 2 year history
- Self-employment

➤ DOCUMENTATION

- Income
- Overtime
- Commission
- Bonus

ASSETS

Saving and Checking Accounts

A first-time home buyer savings account encourages home buyers to save for their future purchase.

- DOWN PAYMENT
- HISTORY
- DOCUMENTATION

Gift Funds

Gift funds can be used for down payment, closing costs, or reserves for Federal Housing Administration (FHA) loan approval.

- REQUIRED DOCUMENTATION

DEBT-TO-INCOME

Debt-to-Income (DTI)

DTI is a measure of a borrower's ability to repay debt.

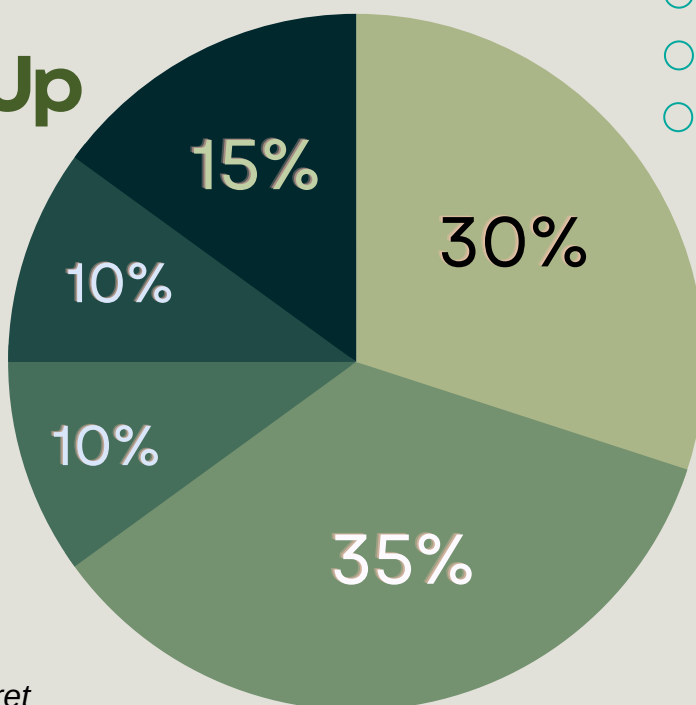
Debt to Income Ratio Formula

$$\begin{array}{c} \text{Recurring Monthly Debt} \end{array} \div \begin{array}{c} \text{Gross Monthly Income} \end{array} = \text{DTI}$$

— Important To...

- Educate yourself. Shop around
- Research your lender
- Know your budget and stick to it
- Research your realtor at the Department of Real Estate (DRE) at www.dre.ca.gov
- Read all documents
- Ask questions
- Use your homeownership counselor and resources

Factors That Make Up Your Credit Score



Your Credit Report

- Identification information
- Detailed information on the accounts that are listed
- Public Records
- Credit report inquiries
- Consumer statement

- Payment History
- Amounts Owed
- Length of credit history
- Types of credit
- New credit

- Payment History 35%:** Late payments, judgments, bankruptcy, and tax liens can lower your score.
- Outstanding Debts 30%:** Maxing out your credit cards can lower your score. Keep balances below 30-45% of your credit limit.
- Length of Credit History 15%:** Long relationships with credit cards, banks, and credit unions have a positive influence on your score.
- Recent Inquiries 10%:** Too many inquiries credit within a short period of time can lower your score.
- Types of Credit 10%:** Installment loans, Revolving debt.

How Long Does Information Stay?

Bankruptcy	10 years
Judgment	7 years
Tax lien	7 years
Collection, charge-off	7 years
Inquiries	2 years

YOUR CREDIT SCORE

FICO SCORE	RATING
760-850	Excellent
700-759	Very Good
660-699	Good
620-659	Not Good
580-619	Poor
500-579	Very Poor



Did you know that when you shop for rates, you have a grace period for inquiries? This means you can feel comfortable shopping rates and running your credit with lenders without a negative impact for approximately a 45 day period. If you're worried, ask for what is called a "soft pull."

OBTAINING YOUR CREDIT SCORE

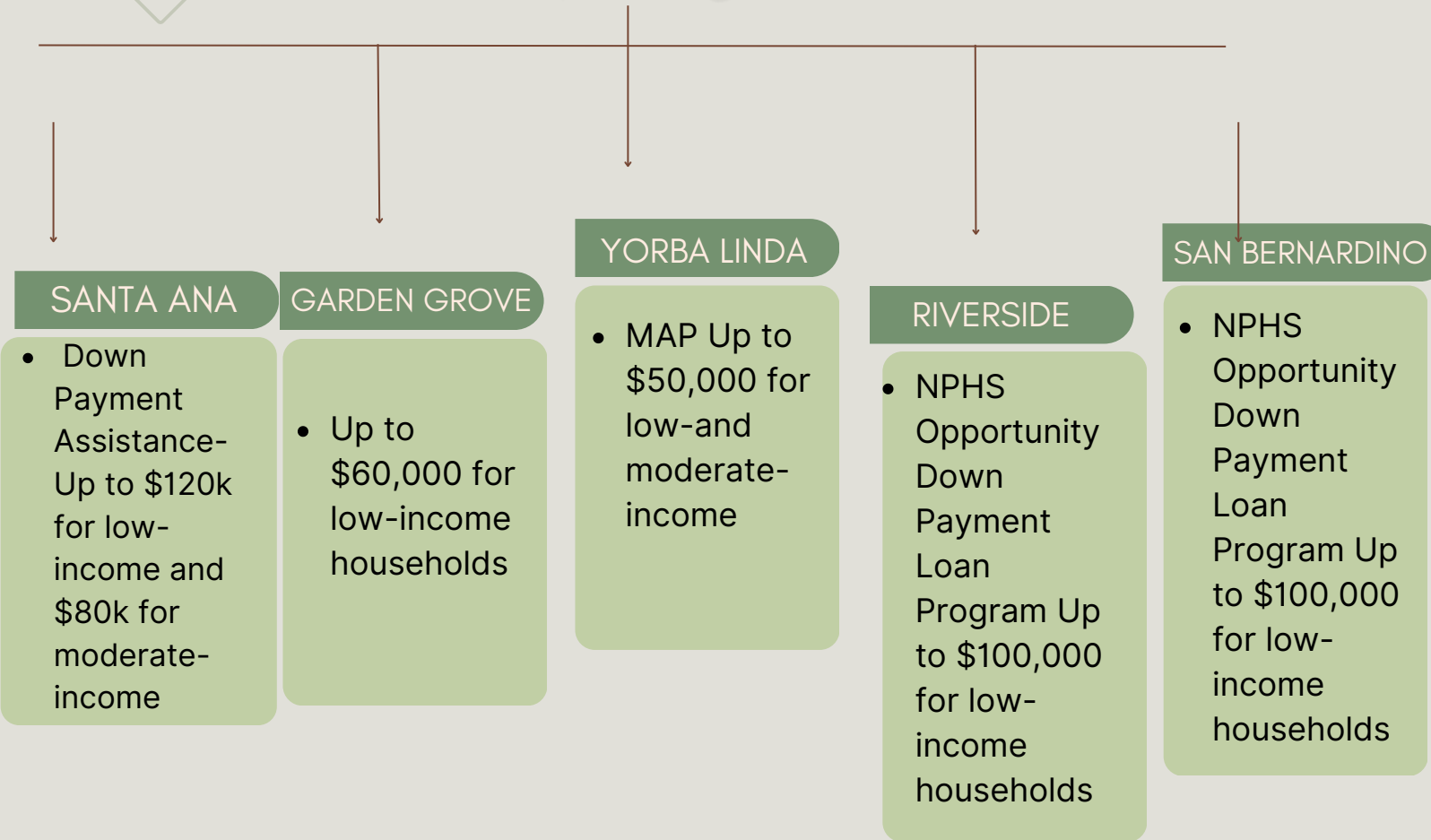
Every year, consumers have the right to a FREE credit report from each of the three major credit bureaus at www.annualcreditreport.com.

Credit scores are generally not provided for free, which is why this benefit is really cool.



Did you know that cities offer specific DPA programs? You simply need to search the California Association of Realtors directory: <https://www.car.org/en/marketing/clients/downpaymentresource>

Home Ownership Resources/Programs



And there are lots more, depending on your city.



MORTGAGE PROGRAM

What is an ITIN?

ITIN loans are a unique kind of loan for individuals that may not have the traditional documentation needed to obtain mortgage loans. ITIN loans can be a suitable option for individuals who do not have a Social Security Number. Using their ITIN, these individuals have a path toward homeownership as they can get a mortgage loan with their ITIN.

How to get an ITIN?

Applying for an ITIN is relatively straightforward, with no Social Security Number required. The first step is to fill out Form W-7 (Application for IRS Individual: Taxpayer Identification Number) and provide supplemental documentation, such as tax returns and identification documents. The purpose of the form is to tie documents with identification, verify it against the information on your tax return, and assign a number accordingly. The processing time varies for receiving ITINs, but generally, you should have an outcome within 4-6 weeks.



ITIN Loan Requirements

- Identification
- Credit score
- Proof of employment
- Tax returns
- Other financial documentation
- Down payment



Benefits of ITIN Home Loans

- Social Security cards are not required
- Social Security cards are not required
- Credit building
- More sustainable to pay back

RENTING VS. BUYING



RENT IF:

You plan to live in this location for less than 2 years.

You don't want to buy until you have at least some money for a down payment.

You don't want to put substantial money and effort into maintaining your own property.

Your cash flow is too inconsistent to afford the regular monthly costs of home ownership.

You have a better place to invest your money.

BUY IF:

You plan to stay longer to build equity and tax savings.

You're willing to take a loan with a low or no down payment which could turn risky if the housing market declines.

You want to build equity in property as a way to build your overall assets

You enjoy the idea of properly maintaining and improving the value of a home

Your income can support a home without exceeding a limit of 40% of your gross income.

LOAN PROGRAMS

Types of Loans

- Adjustable
- Conventional
- FHA/VA (Federal Housing Administration/The Department of Veterans Affairs)
- Portfolio

Loan Products

- 15 Year
- 30 Year
- Adjustable-rate mortgage
- FHA mortgage
- VA mortgage
- USDA mortgage
- Jumbo mortgage
- Interest-only mortgage

MORTGAGE PAYMENT

Principal, Interest, Taxes and Insurance

- Principal-Goes to reduce loan amount
- Interest-Pays cost of borrowing
- Taxes-Property Taxes
- Insurance-Hazard or fire (Maybe Flood)

PMI-Mortgage Insurance-For a conventional loan, mortgage insurance is required when the down payment is less than 20% of the loan amount. FHA also requires mortgage insurance.

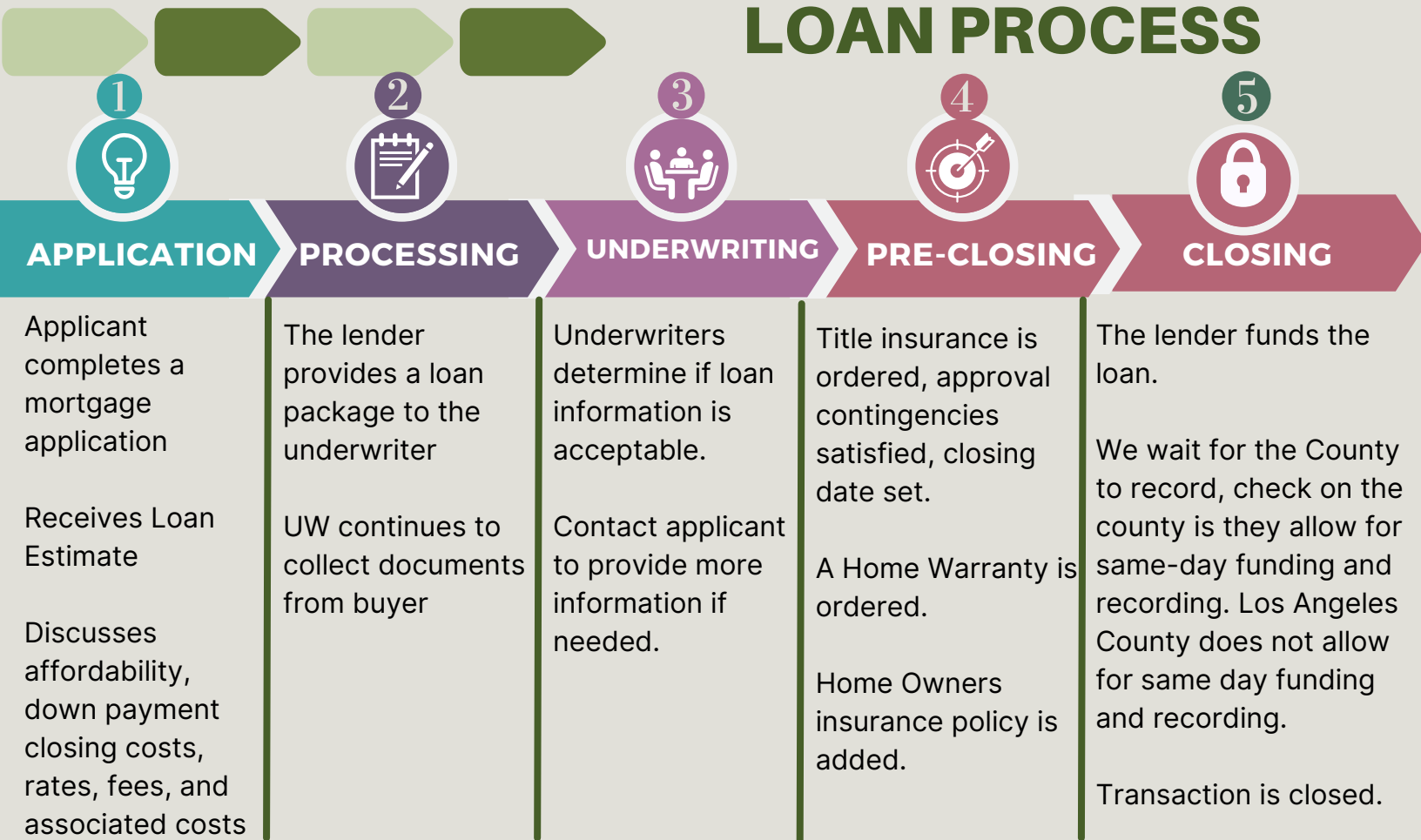


PMI Can be removed after 2 years of on time Payments, you just need to connect with the lender.

HOA-Home Owners Association

Mello Roos-special tax assessed to homeowners in a community as repayment for bonds used to fund the infrastructure within their community.

APPLICATION AND LOAN PROCESS



DO YOU NEED A REALTOR?

What can a knowledgeable and experienced Realtor do for you?

How do you find the right Realtor?



These are the things that I can you with!



What is the Process?

FAMILIARIZE YOURSELF WITH NON-PROFITS AND RESOURCES

DETERMINE HOW MUCH YOU CAN AFFORD

REVIEW AND UNDERSTAND YOUR CREDIT

GET YOUR LOAN PRE-APPROVED

DECIDE WHAT KIND OF HOME YOU WANT

SHOP FOR HOME

MAKE AN OFFER

YOUR HOME BUYING TEAM

- HOMEOWNERSHIP COUNSELOR
- REAL ESTATE AGENT
- TRANSACTION COORDINATOR
- LENDER
- ESCROW OFFICER
- TITLE INSURANCE OFFICER
- HOME INSPECTOR
- APPRAISER
- INSURANCE AGENT

DOWN PAYMENT ASSISTANCE PROGRAMS

MAP

(Mortgage Assistance Program)

COUNTY OF ORANGE MORTGAGE ASSISTANCE PROGRAM

- This program provides mortgage assistance up to \$80,000 (not to exceed 20% of the purchase price) for first-time homebuyers.
- Assistance is in the form of a silent second mortgage loan program with principal and interest payments deferred for a term of the loan
- Borrowers must qualify for and obtain the first mortgage loan from a participating lender. Homebuyer education is required.



Homebuyer education is required and it is also a location specific

WISH

(Workforce Initiative Subsidy for Homeownership)

- The Workforce Initiative Subsidy for Homeownership (WISH) Program provides grants up to **\$22,000** to qualified first-time homebuyers, matching **\$4** for each **\$1** contributed by the homebuyer(s).
- WISH funds may only be used toward a down payment or reasonable and customary closing costs in conjunction with the purchase of housing to be used as the primary residence of the homebuyer.
- WISH funds may not be used by the member or the homebuyer in conjunction with projects or units receiving other subsidies from the Federal Home Loan Bank through its competitive AHP or other set-aside programs.



Funds renew annually-will be available in April 2023 the AMI.

Bank of America Down Payment Grant Program

- Eligible homebuyers may receive up to 3% of the purchase price for their primary residence (maximum \$10,000, whichever is less)
- Program funds may be used towards a down payment only (no cash back)
- Program funds may be taxable as income; a 1099-MISC will be issued
- Qualifying incomes vary by location in our select markets
- Homebuyer education is required
- Grant program is available with one mortgage product. A lending specialist can direct you to the specific mortgage loan product available for the grant program.



Up to \$10,000 in down payment help may be available in your area

America's Home Grant Program



There may be closing cost help in your area. Get up to **\$7,500** in closing cost help

Qualified homebuyers can get a lender credit to help make buying a home more affordable.

- Eligibility depends on your income and the location of the home; other restrictions apply
- Program funds can only be used for nonrecurring closing costs, including title insurance, recording fees, and, in certain situations, discount points that may be used to lower the interest rate. Lender credit cannot be applied toward down payment, prepaid items or recurring costs, such as property taxes and insurance. Borrowers cannot receive program funds as cash back
- Best of all, this is not a loan – It does not have to be repaid.

Search our Real Estate Center to find homes that may qualify for our America's Home Grant program

Making home-buying more affordable!

America's Home Grant program

offers a lender credit of up to **\$7,500** that can be used towards non-recurring closing costs, like title insurance and recording fees, or to permanently buy down the interest rate. The funds do not require repayment.

Our Down Payment Grant program

offers a grant of up to **3%** of the home purchase price or up to \$10,000, whichever is less, to be used for a down payment in select markets. The grant program is available with one mortgage product. The funds do not require repayment.

Our Affordable Loan Solution mortgage

with a competitive rate and lower cost mortgage insurance.



Good news for aspiring homeowners! Bank of America's Community Homeownership Commitment is bringing together products and resources that can help moderate-income borrowers buy homes of their own. By combining downpayment and closing cost programs with a low down payment mortgage, you may find that a new home is within reach.



HOW MUCH CAN YOU AFFORD?

1

Calculate Your Gross Monthly Income

To calculate your Gross Monthly Income, add the following together:

- Monthly income from salary for Applicant #1: \$ _____
 - Monthly income from salary for Applicant #2: \$ _____
 - Monthly income from commissions, bonuses, and/or overtime: \$ _____
 - Monthly dividend/interest income: \$ _____
 - Other monthly sources of income: \$ _____
- = TOTAL GROSS MONTHLY INCOME: \$ _____**

2

Calculate Your Current Monthly Outstanding Debt

To calculate your Current Monthly Outstanding Debt, add the following together:

- Monthly outstanding credit card payments: \$ _____
 - Monthly payment on car loans and/or leases: \$ _____
 - Monthly rent payment: \$ _____
 - Monthly utility payment: \$ _____
 - Monthly payments on any other loans (real estate, student, personal, etc.): \$ _____
 - Monthly child support/alimony: \$ _____
- = TOTAL MONTHLY DEBT: \$ _____**

3

Calculate Your New Monthly Housing Expense

To calculate your New Monthly Housing Expense, add the following together:

- New principal and interest payment: \$ _____
 - Estimated monthly real estate taxes: \$ _____
 - Estimated monthly hazard insurance: \$ _____
 - Estimated monthly private mortgage insurance (if applicable): \$ _____
 - Estimated monthly condo/association fee (if applicable): \$ _____
- = TOTAL MONTHLY HOUSING EXPENSE: \$ _____**

To calculate your Monthly Housing Expense Ratio, divide your Total Monthly Housing Expense by your Total Gross Monthly Income:

4

Calculate Your
Monthly
Housing Expense
Ratio

- Total Monthly Housing Expenses (calculated in Step 3): \$ _____
 - ÷ Total Gross Monthly Income (calculated in Step 1): \$ _____
- = NEW MONTHLY HOUSING EXPENSE RATIO: _____%**

Generally, your monthly Housing Expense Ratio should not exceed 28%

To calculate your Total Debt Ratio, add your Total Monthly Debt plus your Total Monthly Housing Expense and then divide by your Total Gross Monthly Income:

5

Calculate Your
Total Debt Ratio

- Total Monthly Debt (calculated in Step 2): \$ _____
 - + Total Monthly Housing Expenses (calculated in Step 3): \$ _____
 - ÷ Total Gross Monthly Income (calculated in Step 1): \$ _____
- = Total Debt Ratio: _____%**

Generally, your Total Debt Ratio should not exceed 40%

HOMEBUYER EDUCATION & HOUSING COUNSELING



HUD APPROVED 8-HOUR CERTIFICATION IN-PERSON

- Registration fee: **\$50** per person, **\$45** for Early Birds
- Online Registration fee: **\$99** per person, can be completed at your own pace



ONE-ON-ONE PRE-PURCHASE HOUSING COUNSELING PROVIDED AT NO COST TO YOU!

BUYER WISHLIST:



The Basics

1. What part of town (or country) do you want to live in? _____
2. What price range would you consider? No less than _____ but no more than _____
3. Are schools a factor and, if so, what do you need to take into consideration (e.g., want specific school system, want kids to be able to walk to school, etc.)? _____
4. Do you want an older home or a newer home (less than 5 years old)? _____
5. What kind of houses would you be willing to see?
 _____ One story _____ 2 story _____ split foyer _____ bi-level _____ tri-level
 _____ townhouse or condo _____ mobile home
6. What style house appeals to you most?
 _____ contemporary _____ traditional _____ southwestern _____ colonial _____ no preference
7. How much renovation would you be willing to do? A lot _____ A little _____ None! _____
8. Do you have to be close to public transportation? yes _____ no _____
9. Do you have any physical needs that must be met, such as wheelchair access?
 _____ yes _____ no _____
10. Do you have any animals that will require special facilities? yes _____ no _____
 If so, what? _____

11. The Lot

Must Have

Would Like to Have

Large yard (1 acre or more)	_____	_____	
Small yard (less than 1 acre)	_____	_____	
Fenced yard	_____	_____	
Garage	_____	_____	
Carport	_____	_____	
Patio/deck	_____	_____	
Pool	_____	_____	
Outdoor spa	_____	_____	
Extra parking	_____	_____	
Other buildings (barn, shed, etc.)	_____	_____	
Special view	_____	_____	Of what? _____

The Interior

12. How many bedrooms **must** you have? _____ would you like to have? _____
13. How many bathrooms do you want? _____
14. How big would you like your house to be (square feet)? No less than _____
 But no more than _____

15. What features do you want to have in your house?

	Must have	Would Like to Have
Air conditioning	_____	_____
Wall-to-wall carpet	_____	_____
Ceramic tile	_____	_____
Hardwood floors	_____	_____
Eat-in kitchen	_____	_____
Separate dining room	_____	_____
Formal living room	_____	_____
Family room	_____	_____
Greatroom	_____	_____
Separate den or library	_____	_____
Basement	_____	_____
Separate laundry room	_____	_____
Fireplace	_____	_____
Workshop	_____	_____
No interior steps	_____	_____
"In-law" apartment	_____	_____
Spa in bathroom	_____	_____
Lots of windows (light)	_____	_____
	_____	_____

Community features

16. Do you want to live in an area with a Community Association? _____ yes _____ no

17. What else do you want in your community?

	Must have	Would like to have
Community pool		
Gold court		
Basketball court	_____	_____
Tennis courts	_____	_____
Gated community or doorman	_____	_____
Clubhouse/Activities	_____	_____
	_____	_____

18. Are there any other special features or needs that you must consider when you're looking for a home?

