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## **A step by step guide to home buying**

Deciding to purchase a new home can be an exciting, yet overwhelming decision. So it is important you know how to navigate the home buying process to get the home you want. You will need to look at your current circumstances and determine if you are ready for homeownership and if the home you are looking to buy is right for you.

- 1.) **Take a look at your credit report** - Per Federal law, you are entitled to a free credit report, annually. The only site authorized by federal Law is: [www.annualcreditreport.com](http://www.annualcreditreport.com). This credit report will pull information from the three repositories, Equifax, Transunion and Experian. Credit scores range from 350-850. Check your credit report for errors. If you see errors, contact the repository. If you have derogatory credit including collections or late payments in the past twelve months, it would be beneficial to work on improving your payment history in order to reflect a good payment history prior to applying for a loan.
- 2.) **How much can you afford?** – Determine in advance how much house you can afford. There are quite a few mortgage calculators that you can find online. These calculators typically account for principal, interest, taxes and homeowners insurance. Other items you may need to include are flood insurance if the property is located in a flood zone, private mortgage insurance depending on the amount you are putting down and the type of loan program, homeowners association fees if the property is in a condominium development, and private road maintenance fees if the property is on a private road.
- 3.) **Select the right Realtor and Loan Officer for you** - Shop for a Realtor and Loan Officer that will best suit your needs. Get recommendations from your family and friends. Talk to at least three or four Realtors and Loan Officers before making a decision. The best professionals will be able to answer all of your questions to your satisfaction and make you feel confident and at ease. Once you have selected the professionals that will be working for you, request a pre-qualification letter from your Loan Officer to give your Realtor. Completing this step will increase your negotiating power enabling your Realtor to approach the Seller with your pre-qualification letter in hand; your offer will be much more appealing since you have already been qualified for financing. Make sure the mortgage program you have selected is the right one for you and will best suit your needs today *and* in the future. Be sure your Loan Officer has fully informed you on the loan program you are entering into including the terms, down payment requirements and closing costs. It's important to supply the lender with as much information as possible, as accurately as possible. All outstanding debts, liquid assets and income should be included. Paperwork supporting the application must also be submitted. Information commonly required includes pay stubs, two years' tax returns, and bank account statements verifying the source of the down payment, funds to close and reserves.
- 4.) **Look for the right home for you** - What are you looking for in your new home? What kind of neighborhood are you looking for? What are the current market Conditions? Are the homes in the area appreciating in value? Would you like your current home to be close to schools, your job or shopping district? Take into account how much it would cost to maintain

the property including lawn care, snow removal and repairs. Be sure to remember to stay within your budget when searching for a home and communicate your top dollar to the realtor. Don't waste time looking at homes that are above your budget that you may not qualify to purchase and that may create issues down the road.

5.) **Make an offer** - Consult your Realtor to determine the offer you'd like to make on your potential purchase. Remember to be fair and reasonable in making your initial offer. . Consider that some Sellers are willing to provide a seller contribution towards closing costs. Once you have made an offer, the Seller may make a counteroffer to which you may also counteroffer. . Once you have entered into a contract, you will be asked to put a deposit down in escrow as an act of good faith to the Seller. These funds will be credited back to you at closing.

6.) **Get a home inspection** - All purchase offers should be contingent on a home inspection. There are many mechanical and structural defects that may be detected with a home inspection that cannot be seen by on the surface. Getting a home inspection is the only way to tell if a property may have issues that may make you reconsider your potential purchase. Some common issues are foundation flaws, roof leaks, poor grading and drainage, mold due to dampness, poor ventilation or faulty plumbing or wiring. A home inspection can save you unwanted and expensive repairs down the road and can also be a tool to negotiate seller concessions if issues are detected.

7.) **Loan Closing** - Set a closing date that is reasonable to both you and the Seller. When setting the closing date, keep in mind how long your lender will need to process your loan. A typical time frame barring no unusual circumstances is 60 days. If you currently rent, you may have to wait until your rental agreement expires, alternatively, the Seller may have to wait until they purchase their new home. Understand what your closing costs will be in advance of the closing to ensure you are prepared to provide the balance due. You should be able to review your closing cost settlement statement at least twenty-four hours before the closing. If you have any questions, ask your Loan Officer to explain all of the costs associated with your mortgage and the details of the information on settlement statement.

8.) **Welcome to your new home!** - Now it is finally time to move in and to make memories in your new home! The home buying experience doesn't have to be a stressful one if you have knowledgeable professionals by your side from the moment you decide to buy a new home to the moment you put the key in your new door and after!

This information has been provided by the Mortgage Bankers and Brokers Association of New Hampshire (MBBA-NH) in conjunction with the New Hampshire Union Leader. Any questions about the content should be directed to the MBBA-NH at 6 Garvins Falls Road, Suite 106, Concord, NH 03301, email at [info@mbba-nh.org](mailto:info@mbba-nh.org), website [mbba-nh.org](http://mbba-nh.org). Article supplied by: J.J. Sawicki, CMP, AVP of Third Party Lending at Merrimack Mortgage Co. Inc., for informational purposes only and is not and may not be construed as legal advice, or a statement as to insurance coverage. No third party may rely upon anything contained herein when making legal and/or other determinations regarding title practices.