

Navigating the Home Buying Process

Presented by:

Jack Mancinotti, CFP®



Before We Begin

- Disclosure: I am not a real estate agent or a mortgage broker – technical questions may be better suited for a licensed real estate agent, mortgage broker, or the bank where you will get your mortgage from.
- The goal of this presentation is to help people manage their house purchase while considering other financial goals.
- We are not looking at investment properties, we are simply looking at a home purchase for your primary residence.
- Your home and investment accounts are likely where you will invest the most money throughout your lifetime – we think it is wise to carefully plan for both.

Our Speakers



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Agenda



Understanding Your Financial Readiness



Mortgages & the Pre-Approval Process



The Home Search Process



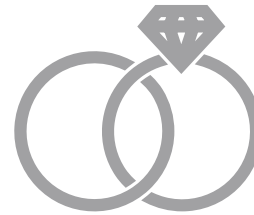
Is the Timing Right to Buy a Home?



Final Remarks and Questions

Holistic Financial Planning

Identifying Goals



Holistic Financial Planning

Healthy Budget Benchmarks



House Expenses: $\leq 28\%$ of gross income

Includes mortgage, taxes, insurance

If you have other debts, combined payments should be $\leq 36\%$ of gross income



Retirement: 10% or more of gross income

Includes company match



Emergency Fund: 3 – 6 months of living expenses



College Expenses: varies by school

Target a systematic savings rate when child is born

Upfront Costs to Home Ownership

Down Payment: 20% is historical average. Today most individuals are putting less than that. *Your down payment will affect your monthly mortgage payment.*

Closing Costs: about 2-5% of the purchase price (typically \$10,000+)

- Appraisal fee: \$500 - \$700
- Home inspection: \$500 - \$700
- Loan Origination fee: around 0.5% of loan amount
- Private Mortgage Insurance if less than 20% down payment
- Property Taxes (potentially owe a few months up front)
- HOA fee
- Homeowner insurance
- Title fees and title insurance
- etc...

Renovations: varies by household

Furnishings: varies by household

Upfront Costs Example

\$400,000 Home Purchase Price

20% down = \$80,000

Closing Costs = \$15,000*

Renovations = \$3,000

Furnishings = \$5,000

TOTAL UPFRONT = \$103,000

* Some closing costs can be wrapped into the mortgage

Upfront Costs Example #2

\$400,000 Home Purchase Price

3% down = \$12,000**

Closing Costs = \$15,000*

TOTAL UPFRONT = \$27,000

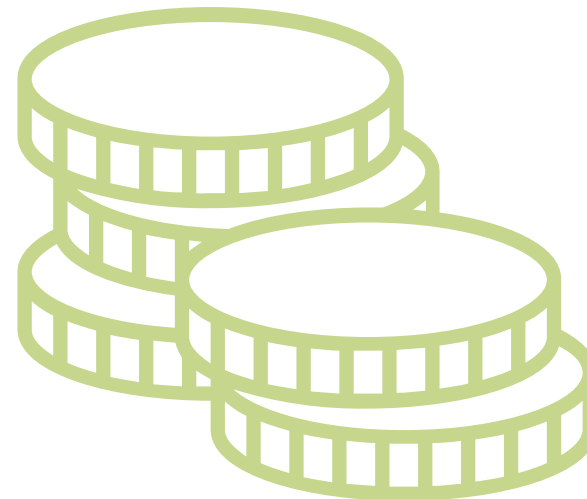
* Some closing costs can be wrapped into the mortgage

** Private mortgage insurance applies

Ongoing Costs of Home Ownership

National Average: **\$18,118/year** ... excluding mortgage!

- Property Taxes
- Homeowners Insurance
- Ongoing Maintenance
- Energy
- Internet
- Cable
- Potential Renovations
- Etc...



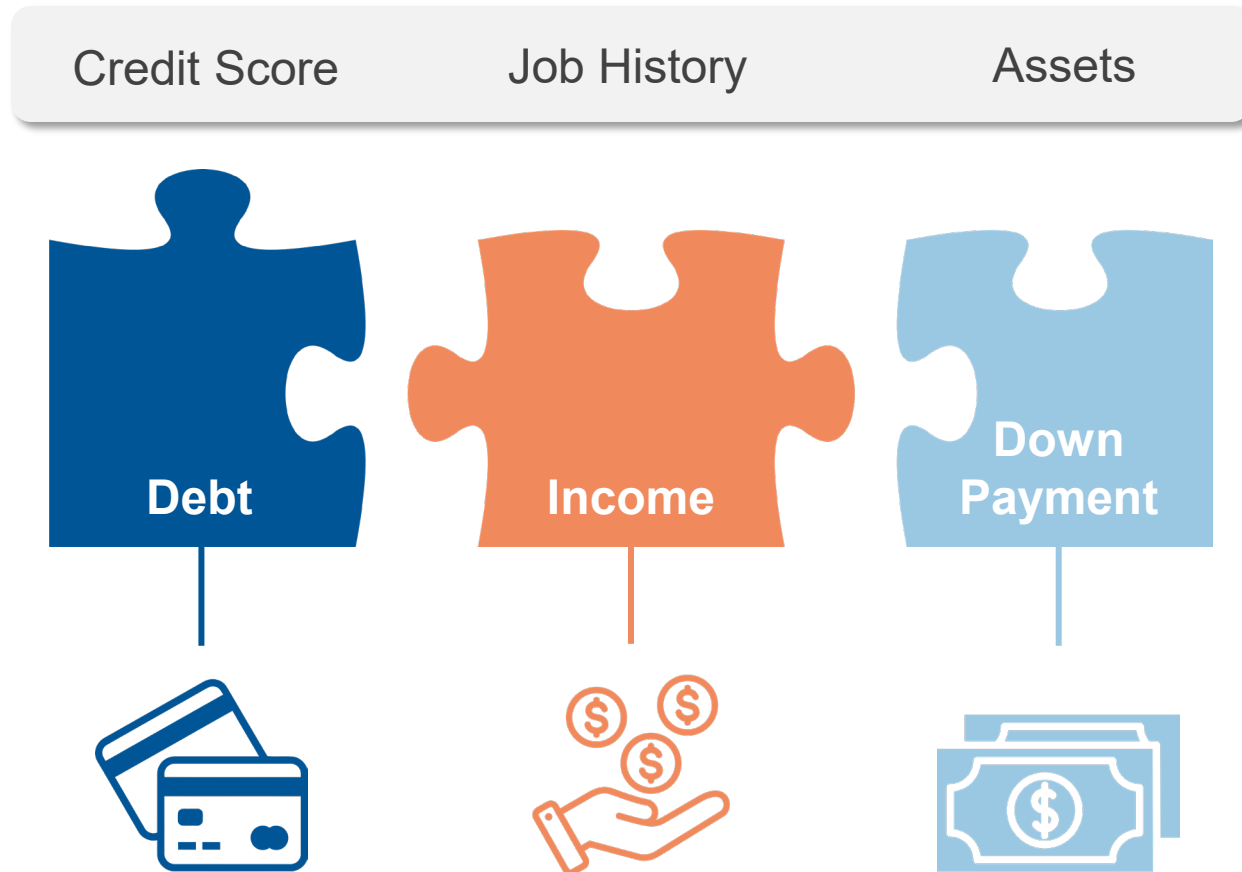
The Home Buying Process



Getting Pre-Approved:

- First and most essential step of the homebuying process
- Get pre-approved before looking at homes to establish your budget and prevent disappointment
- Determines how much needs to be saved for closing
- Initial call is 15 minutes over the phone, hard pull on credit, full mortgage application (pay stubs, W2's/1099's, tax returns, etc.)
- Approval lasts 90 days
- Special programs: FHA, VA, Down Payment Assistance...

What Do Lenders Evaluate?



Mortgage Guide

CONVENTIONAL LOAN

The most common type of home loan, which is offered through private lenders.

FHA LOAN

Loans designed for those with high debt-to-income ratios and low credit scores, and most commonly issued to first-time homebuyers. Offered by FHA-approved lenders only and backed by the Federal Housing Administration.

VA LOAN

Loans designated for veterans, spouses, and reservists, offered through private lenders and guaranteed by the U.S. Department of Veteran Affairs.

USDA LOAN

Loans for homebuyers in designated rural areas, backed by the U.S. Department of Agriculture.

Mortgage Guide

Type of Loan	Down Payment	Terms	Mortgage Insurance	Minimum Credit Score
Conventional	3-20%	15-30 Years	On down payments under 20%	620
FHA	3.5-20%	15-30 Years	For 11 years or life of the loan	500
VA	None	15-30 Years	None	620
USDA	None	15-30 Years	None	580

Finding the Right Home



Investigate the Area

Drive around neighborhoods that interest you to get a feel of the area, how the homes are cared for, what traffic is like, etc.



Ask Around

Talk to family, friends and co-workers to see if anyone might know of a house for sale in an area you're interested in. One of them may even know of someone that's thinking about selling but hasn't put the house on the market yet.



Keep an Open Mind

Finding your dream home isn't an easy task! Have a priorities list but keep an open mind when viewing houses.

Finding the Right Home



Take Pictures & Notes

When you visit multiple houses, it gets difficult to remember specific details about each one. Take photos and notes while touring houses so that you can reference them later when comparing the properties that you've seen.



Be Ready to Make an Offer

When you find a home you want to buy, keep in mind there may be others interested in it as well. Be ready to make a solid offer quickly in order to have the best chance at getting that home.

Making an Offer

Put in a Competitive Offer

The realtor and client(s) will decide on a reasonable offer price based on:

- › Current market conditions
- › Comparable properties recently sold in the area
- › The property value of the house
- › The current condition of the house

Pay in Cash vs. Loan

Paying in cash versus taking out a loan offers a faster closing timeline and less chances of issues arising, making it more appealing to sellers.

Making an Offer

Put Down a Larger Deposit

An offer that includes a larger earnest money deposit presents a more serious and competitive offer.

Add a Personal Touch

Include a letter to the sellers with your offer, letting them know what you love about their home. Adding this personal touch can give you an advantage over other offers by making yours stand out from the rest.

Offer a Shorter Closing Timeline

An offer with a shorter timeframe for closing is generally more attractive to sellers over one with an extended time period with a house sale contingency. A typical closing timeframe is 30 – 45 days.

Offer Accepted!

Put Your Deposit into an Escrow Account

Your earnest money deposit will be put into an escrow account that is managed by a neutral third party (typically a title company or bank) who holds the money for the duration of the escrow period. They will manage all the funds and documents required for closing, and your deposit will go towards your down payment which is paid at closing.

Schedule a Home Inspection

Home inspections are optional but highly recommended to make sure that the home is in the condition for which it appears. Inspections are typically completed within 10-14 days after signing the sales agreement.

Renegotiate if Necessary

The home inspection will tell you if there are any dangerous or costly defects in the home that need to be addressed. You can then choose to either back out of the deal completely, ask for the seller to make repairs, or negotiate a lower price and handle the repairs yourself.

Offer Accepted!

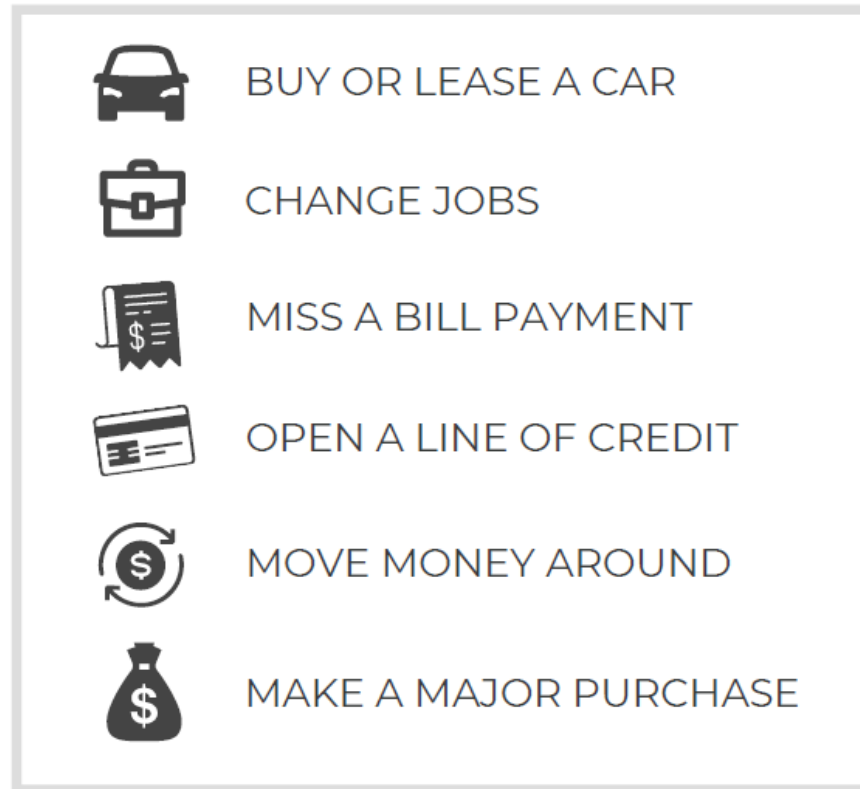
Complete your Mortgage Application

Once you've come to an agreement on the final offer, it's time to finalize your loan application and lock in your interest rate if you haven't done so already. You may need to provide additional documentation to your lender upon request.

Order an Appraisal

An appraisal will be required by your lender to confirm that the home is indeed worth the loan amount. The appraisal takes into account factors such as similar property values, the home's age, location, size and condition to determine the current value of the property.

What Not to Do During the Homebuying Process



Any of these types of changes could jeopardize your loan approval. It's standard procedure for lenders to also do a final credit check before closing.

Final Steps: You're Almost There

Insurance Requirements

Most lenders require both homeowner's insurance and title insurance. Homeowners insurance protects your home and possessions against damage and theft, while title insurance protects the lender and/or homeowner from financial loss against claims regarding the legal ownership of a home. Policies vary so it's recommended to get quotes from multiple companies to compare price, coverage and limits.

Closing Disclosure

At least 3 days before closing, lenders are required to provide you with a Closing Disclosure with your final loan terms and closing costs for you to review. Closing costs for the buyer typically range from 2-5% of the purchase price, which can include lender fees, lender's title insurance, and HOA dues if applicable.

Final Walkthrough

Within 24 hours of closing we will do a final walk through of the home before signing the final paperwork. This last step is to verify that no damage has been done to the property since the inspection, that any agreed upon repairs have been completed, and that nothing from the purchase agreement has been removed from the home.

Final Steps

Congratulations, you made it to closing!

Closing is the final step of the buying process. On the day of closing, you'll be going over and signing the final paperwork, and submitting a cashier's check (or previously arranged wire transfer) to pay the remaining down payment and closing costs.

Property ownership is then officially transferred from the seller to the buyer.

ITEMS TO BRING TO CLOSING:

- ✓ Government Issued Photo ID
- ✓ Homeowner's Insurance Certificate
- ✓ Certified Funds or Cashier's Check
- ✓ Final Purchase Agreement



**Enjoy your
new home!**

Is Now a Good Time to Buy?



Don't Time the Market – Time IN the Market Matters

- Waiting for the “perfect” time? The market is unpredictable.
- Home prices and interest rates fluctuate, but real estate generally appreciates over time.



Buy for the Long Term

- If you plan to stay put for 5+ years, short-term price swings don't matter as much.
- Owning builds equity, while renting builds your landlord's wealth.



Create a Plan & Stick to It

- Set a budget, understand mortgage options, and prepare for ownership costs.
- A well-thought-out plan makes buying less stressful and more strategic.

I'm Going to Wait Until Rates Come Down...



MARRY THE HOUSE



DATE THE RATE

Should You Pay Off Home Quickly?

Depends...

The Case/Shiller house index has **grown 4.52%** annually since **1987**

The S&P 500 Index has **grown 10.91%** annually since **1987**

Mathematically, stocks have had more success than homes, but...

There is an intangible weight to having a debt payment

The Power of Equity:

Equity: the difference between what your home is worth and how much you owe on your mortgage

Home Value - **Mortgage Balance** = **Home Equity**

Appreciation: the increase in your home's value over time

Nationally, the appreciation rate is about 4%

Example: \$400,000 condo x 4% = \$16,000 gain per year

Questions?



CONTACT US

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Explained

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Financial Planning:
Creating a Strategy
That Works For You

May 22

Investing in Stocks:
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