

# Buying a Home

*Moving More Confidently Through  
the Homebuying Process*



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# Buying a Home



Purchasing a home can be exciting, but it can also be an intimidating process. Taking the time to understand the entire homebuying process will help you gain a stronger foundation for a new beginning.

## Educate Yourself

If you're thinking of purchasing a home, the first thing you should do is to arm yourself with information. Research has shown that educated homebuyers are more likely to be successful throughout the life of their mortgages, so before you get serious about any house in particular, educate yourself on the homebuying process and the responsibilities of homeownership. You'll be better equipped to purchase a home that suits your needs and is well within your financial means.

## Get Help to Make Smart Decisions

Nonprofit housing and credit counseling agencies are always good resources. They can work with you to help organize your budget, improve your credit, and understand your mortgage options. To find a HUD-approved counseling agency near you, visit [www.hud.gov](http://www.hud.gov). Ask for help identifying legitimate local services and programs that could also provide financial assistance or local homebuyer incentives.

## Determine How Much You Can Afford

Evaluate your financial situation and how much you can afford. For a general idea of your homebuying power, work with a lender to get pre-qualified. Your lender will use your credit, financial, and employment information to come up with an estimate of a mortgage that you can afford. While a pre-qualification may be a good guide, you will need to decide for yourself if you can live comfortably with the amount of your suggested monthly mortgage payment. Consider your particular circumstances and your future financial needs and goals.

## How Much Can You Bring to the Table?

Determine how much of your savings plus any monetary gifts you will have to help with the down payment and closing costs. If you pay less than 20 percent for your down payment, you'll be required to pay private mortgage insurance (PMI) each month as part of your mortgage payment. Closing costs generally range from three to seven percent of the mortgage amount, but some sellers may agree to contribute to your closing costs.

## Shop Around for the Best Mortgage

Compare options from at least three lenders. While getting a competitive mortgage rate is important, the lowest mortgage rate may not always be the best choice for you. You must also consider the entire cost of the loan. Be sure to ask your lender for those details. In particular, you'll need to ask about the annual percentage rate (APR), which is the total cost of the loan expressed as a yearly rate. The APR includes the interest rate, points, broker fee, and any other charges you're required to pay. Look for this information on the Good Faith Estimate, which your lender is required to give you.

## Apply for a Mortgage

To complete your application, your lender will need information about your credit reputation, capacity to pay, and any collateral. They will pull your credit report to determine your total debt and score. With this information, they will determine if you are pre-approved for a loan. Your lender is required by law to provide you with a Good Faith Estimate in writing. This written estimate will itemize the approximate costs and fees for the mortgage, including your total monthly payment.



## Make An Offer

Once you have found a home that you want to purchase, you and your real estate professional will discuss what your initial offer should be, given the condition of the property and the current market conditions. Discuss what contingencies or special requests, such as repairs, you want made prior to closing. The real estate professional will work with you to schedule an appointment with a home inspector who can tell you about the condition of your home and determine what repairs are needed. Although it is not required, you should always include a home inspection contingency in your offer. You will typically be required to pay an earnest money deposit, or a good faith deposit — usually between 3.5 and 5 percent of the purchase price — to show that you are a serious buyer.

## Prepare for Closing

Work with your lender to finalize your loan documents, have your home appraised, and lock in your interest rate. During this time, you will also need to obtain homeowner's insurance, provide documentation to your lender, and prepare for your move. Stay in constant communication with your real estate professional and lender to help ensure a smooth transaction. Most importantly, if you have questions, don't be afraid to ask.

## Sign the Final Documents

Prior to closing day, ask the closing agent to provide you with a copy of all the documents so you can review them at your own pace and have your questions prepared. At the closing table, you'll be asked to sign the documents you reviewed, including the closing statement, mortgage note, and truth-in-lending statement. Your down payment and closing costs (e.g., homeowner's insurance, homeowner's association fees, etc.) will be collected as well. Before you leave, you will receive a settlement sheet, known as a HUD-1, which itemizes all of the final closing costs. Then, you'll receive the keys to your new home!

## Own Your Own Home

The day you close on your first home will be one of the most exciting days of your life. While homeownership does come with responsibility, you'll take pride in the fact that you have a new home for you and your family to enjoy now and into the future.

## For More Information

- The Freddie Mac CreditSmart® curriculum is a consumer guide to better credit, money management, and responsible homeownership. Visit [FreddieMac.com/creditsmart](https://www.freddiemac.com/creditsmart) to download consumer resources, available in five languages.
- "About Homeownership" is the Freddie Mac online guide to the homebuying process and successful

homeownership. Visit [FreddieMac.com/homeownership](https://www.freddiemac.com/homeownership) for help estimating how much home you can afford.

- To find a HUD-approved housing counseling agency near you, visit [www.hud.gov](https://www.hud.gov) or call 800-569-4287.
- Avoid scam artists! Learn about common scams in your area, and get advice before you enter into your next loan agreement. Visit [DontBorrowTrouble.com](https://www.dontborrowtrouble.com) to find a Don't Borrow Trouble® campaign near you.

### Source

Content adapted from the following:

- Freddie Mac's award-winning CreditSmart®, a multilingual financial education curriculum designed to help consumers build and maintain better credit, make sound financial decisions, and understand the steps to sustainable homeownership
- "About Homeownership," Freddie Mac's online guide to the homebuying process and successful homeownership



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