

A HOW-TO GUIDE

# Buying your first home.



HERITAGE

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## INTRODUCTION

# Hello, I'm your realtor, Kathleen.

You're not just buying a house- you're building a future. Buying your first home is a big deal- exciting, emotional, and sometimes overwhelming. I know, because I've been there myself. As a former single mom and first-time homebuyer, I understand the challenges, fears, and joys that come with taking the leap into homeownership. I also understand the security that comes with homeownership- that's why I'm so passionate about helping first-time buyers. Today, as a REALTOR with Better Homes & Gardens Heritage and an Accredited Buyer's Representative with my Home Finance Certification, I have worked with many buyers to make their dreams a reality. I'm here to help you build your future, too.

*Kathleen Penland-Jones*



## What is a REALTOR?

An all caps REALTOR is someone who is not only licensed to practice real estate but who is part of an organization that upholds professional standards. They will have a strong knowledge of the local market, houses in general, and adhere to a code of ethics.

When working with a realtor you will not only get their guidance but their access to all the homes on the market and their help navigating all the legal aspects of buying.



## CHAPTER I

# Before you start looking

# 1

Find an agent! You're starting one of the most important family and financial journeys of your life. Make sure you're doing it with someone who is not only knowledgeable and professional, but who you click with.

# 2

Find a lender. There are many options and your agent can help you find someone who specializes in what you're looking for.

# 3

Complete your lending application and submit all the documents required by your lender.

# 4

Sign all the agency agreements with your agent so they can work exclusively for you. This ensures that they can legally represent your best interests, negotiate on your behalf, and are bound to confidentiality.

# 5

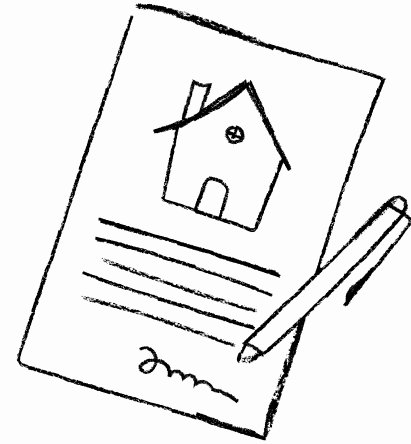
**Secure a Pre-Approval (not just a Pre-Qualification):** This is your "golden ticket." It confirms your actual budget and proves to sellers that you are a serious, qualified buyer. Most sellers won't even look at an offer without one!

**You can't just start house hunting...**

You've got to get yourself ready for the market with these five steps.

## CHAPTER II

# Let the house-hunting begin



## Wants vs. Needs

Now that you're ready to start looking it's important to understand what you need in a house vs. what you want. At any budget it is rare to find everything on your wishlist so it's important to be realistic about what you have to have and not just the nice extras.

## The Big Three

1. Price
2. Location
3. Condition

These are going to be the three biggest factors in buying a home and generally one of them is going to have to give. Your budget is going to have a maximum and depending on your loan type condition can be pretty inflexible, as well. Location is often going to have to be the factor that gives. However, condition can be changed and location is forever.

## Be vigilant with your money!

During the home buying process it is very important to keep in mind that your finances are being under a microscope- don't quit your job, don't make large purchases, don't open new accounts, don't pay off anything unless your lender recommends it, don't deposit cash that doesn't have proof of where it came from, ask your lender when in doubt!



## CHAPTER III

# Upfront expenses



## Due Diligence & Earnest Money

Together these will total about 1% of the purchase price. Generally you will put a smaller percentage towards due diligence. Both of these will count towards the purchase price.

### Due Diligence Money

This can be viewed as a fee paid to take the home off the market and to access the home for inspections and goes along with the “Due Diligence Period,” which is the time frame you’re allowed to conduct inspections and determine if the house is worthy to purchase. If you back out for any reason during the Due Dilligence period you **DO NOT** get this money back because you have already accessed the home.

### Earnest Money Deposit

This is a deposit showing that you are serious about purchasing the home. If you decide not to purchase within your due diligence period you **DO** get this money back. If you decide not to purchase after your due diligence period you lose this money.

## CHAPTER III CONTINUED

## Inspections

These are always recommended and sometimes required for lending. Think of inspections as your financial insurance policy. Spending a few hundred dollars now can save you thousands in 'surprise' repairs later.



The following are estimates:

\*Home- \$500

\*Pest- \$150

\*Well- \$250

\*Radon- \$150

\*Septic- \$800

\*Manufactured Home Structural Certification- \$600

\*Air-quality, pool, survey, soil, etc.

Your agent can help you choose and schedule inspections or you can handle this yourself depending on your comfort level.

## Appraisal

Your **lender will order this** but you are expected to pay upfront. Can cost up to \$700.

## Downpayment

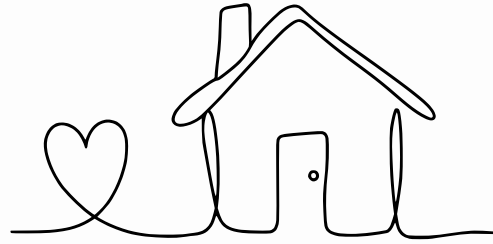
Depending on your loan type down payments can range from 0%-20%. There are programs available to get down payment assistance, see Addendum.

## Closing Costs

These are the fees associated with your lender and attorney and can range from 2%-5% of the purchase price. There are programs available to get closing costs paid, see Addendum.

## CHAPTER IV

# Putting in an offer



**Congratulations-  
you found a home you want to buy!**

## First things first

You think you like a house BUT, is it worth putting an offer on? When you're touring a home it's important your agent understands basic home construction and maintenance. There are many red flags that would make a home's condition not lendable and you want to know that before spending money on inspections. Your agent will also do a CMA (comparative market analysis) to determine their opinion of a fair market price.

Now you've got to put in an offer, negotiate, and get acceptance.



## Putting the offer together

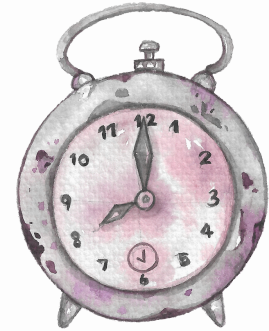
1. Purchase Price
2. Due Diligence Money
3. Earnest Money
4. Due Diligence Period
5. Closing/Settlement Date
6. Closing Attorney
7. Seller Concessions

These are all variables that go into an offer. Price is not the only thing that will determine a strong offer. Your agent will help you put together a strong offer.

After your offer is submitted you will either get an acceptance or a counter-offer. At this time it's important to have an agent who will negotiate to get terms that meet your needs. Once both parties sign, you're under contract!

## CHAPTER V

# Under contract



## Due Diligence Period Begins

This is the window in which you get to conduct all your inspections and appraisals to determine if the house is worth buying. It is important to get this scheduled in a timely manner so that you can get the information and then act on it.

## Inspection & Appraisal Negotiations

The lender will send out an appraiser who will determine the home's value and condition. If the appraisal is less than the purchase price there are a few options- 1) renegotiate with the seller to lower the price, 2) ask for the appraiser to do a reconsideration of value or order a new appraisal (these are not very effective options in my experience), 3) the buyer pays the additional amount from their own funds, 4) work with your lender to change your loan, or 5) terminate the contract.

With the information from the inspection your agent will advise you what issues are minor and what are major. We will then draft a Repair Request. This kicks off a new round of negotiations where the seller can agree to the repairs, offer Closing Credits (cash toward your costs), or—in some cases—deny the request. It's important your agent is able to negotiate on your behalf to ensure the home you are buying is safe and in a condition that supports the price.

**It is important to remember that a seller is not required to do any repairs.**

Many times, especially with government loans, there are inspection items that are required for the loan. It is important that all parties understand when working with these loans that these are non-negotiable and they are willing to work together to fund the repairs.

When you've completed your repair and appraisal negotiations you can either choose to terminate... or, move to the next phase!

## CHAPTER V CONTINUED

**Due Diligence Period Ends**

Now the underwriters go into overdrive to ensure they have everything they need to complete your loan. You may be waiting around, twiddling your thumbs, wondering if anything is happening; or you may be asked for every document you've ever received in your life. This is all part of the process. Whatever is asked, it is important that you are diligent in returning documents because one missing document can delay a closing.

**Prepping for Close**

Once you get the CLEAR TO CLOSE from your lender you have final approval and the attorney will schedule your time to come sign.

You will receive a copy of the financial transaction- either CDs (closing disclosures), HUD Statements, or ALTA settlement statements- to review and make sure all the money is accounted for and going to the correct place, three days before closing.

At this time it's safe to schedule to have utilities turned on or transferred and make arrangements with your landlord.

**Closing Time**

At the time your attorney has scheduled you will go to the office (or in some cases meet a mobile notary) and sign A LOT of papers for your mortgage and deed.

After everything is signed by all parties the attorney has to record them at the courthouse. THE DEAL IS NOT DONE UNTIL IT'S RECORDED.

After recording your agent will get your keys to you and you can move in!



**WARNING: THINGS CAN AND DO HAPPEN TO DELAY CLOSING, BE PREPARED TO BE FLEXIBLE WITH THE CLOSING DAY.**

## CHAPTER VI

# You're a homeowner now

## More Expenses

1. Utility connections and deposits
2. Moving supplies- trucks, boxes, etc.
3. New home supplies- door locks, smoke detectors, batteries, light bulbs, trash bags, etc.
4. Eating out- food can add up when everything is packed up



## Maintenance

It's important to maintain your investment.

Set up a seasonal schedule to make sure routine maintenance is done, it's much cheaper to prevent a problem than fix one.

Some important items:

- Clean gutters and downspouts
- Change air filters
- Change water filter if you have a well
- Check smoke alarm batteries
- Don't let plants grow on the house
- Repair and replace wet wood or drywall immediately
- Inspect for pests and rodents
- Locate your main water shut-off valve



## ADDENDUM

# Financial Assistance

## Lender Options

- Credit Union- many have 0% down first time buyer loans
- Government Loan Programs- these are more flexible with income and debt-ratios, many banks or mortgage companies offer them
  - FHA- 3.5% down
  - USDA- 0% down
  - VA-0% down



## NC Down payment Assistance Programs

NC Office of Recovery and Resiliency- Haywood County Only  
(I have worked with this program several times.)



- \$25,000-\$30,000 down payment assistance
- (first generation buyers receive \$30,000)
- 5% of purchase price towards closing costs
- This is a grant that only has to be repaid if you sell within three years of owning.
- Must be under 120% AMI (area median income) for entire household
- Apply after you have a mortgage pre-approval and have found a home to put in an offer on

HUD Fiscal Year 2024 CDBG-DR Income Limits for Haywood County								
Family Size	1	2	3	4	5	6	7	8
80% AMI	\$46,200	\$52,800	\$59,400	\$66,000	\$71,250	\$76,550	\$81,800	\$87,100
120% AMI	\$69,300	\$79,200	\$89,100	\$99,000	\$106,900	\$114,850	\$122,750	\$130,700

## NC Housing Finance Agency

(I have never worked directly with this program.)

- NC Home Advantage Mortgage
- NC 1<sup>st</sup> Home Advantage Down Payment
- Apply at time of mortgage application



Additional Resources: I can also help you explore programs like Chenoa, Mountain Housing Opportunities, and Homes for Heroes to see which best fits your financial goals.

# You're on your way to homeownership



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