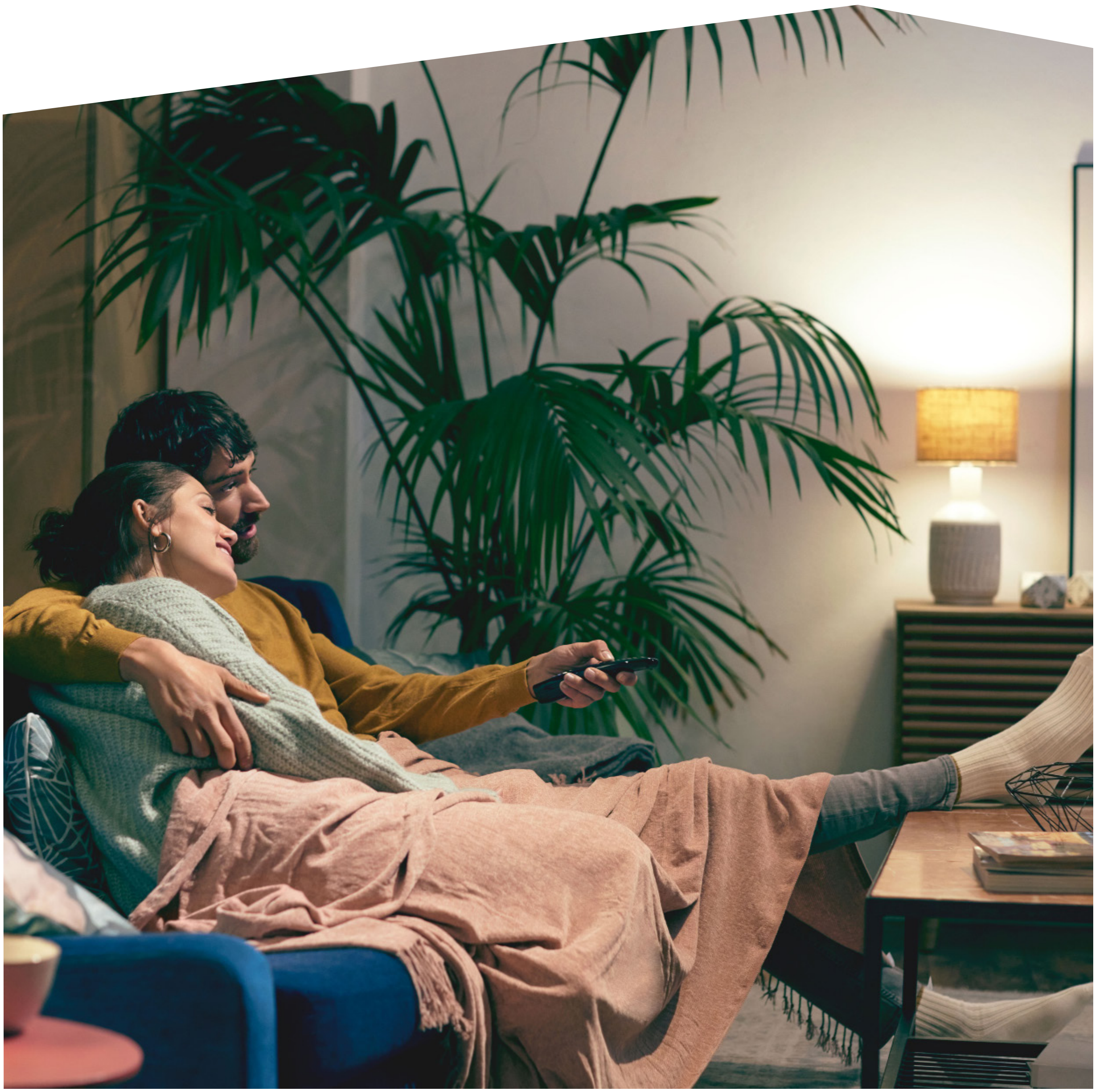
The Complete Homebuying Guide

How to make your way to home ownership



For first-time buyers, especially, the path to buying a home can be confusing and feel overwhelming. So let's make it a tiny bit easier by breaking down the process into a few tasks. You'll get the hang of it—we promise.

How it works: The Homebuyer's Journey

1. Understand the market

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This is the fun part! Search home listings online to research inventory and pricing.

2. Find out what you can afford

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Find out how your down payment and other variables affect monthly payments.

3. Research loans and rates

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Search for current interest rates, loan programs, and lenders with reliable track records.

4. Contact the pros

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Our loan advisors will help you find a low rate and work closely with your real estate agent to ensure a seamless, worry-proof process.

5. Make an offer

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Your real estate agent can help you make an offer and negotiate on your behalf.

6. Schedule an inspection

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You may feel pressure to skip this step—don't! Investing in an inspection now can save you thousands later.

7. Tally your closing costs

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First-time homebuyers often underestimate closing costs. Make sure to include these in your budget and go over all fees and other costs with your lender before closing day.

8. Close the deal

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At your closing, the seller will hand off the title and keys to your new home. Congratulations!

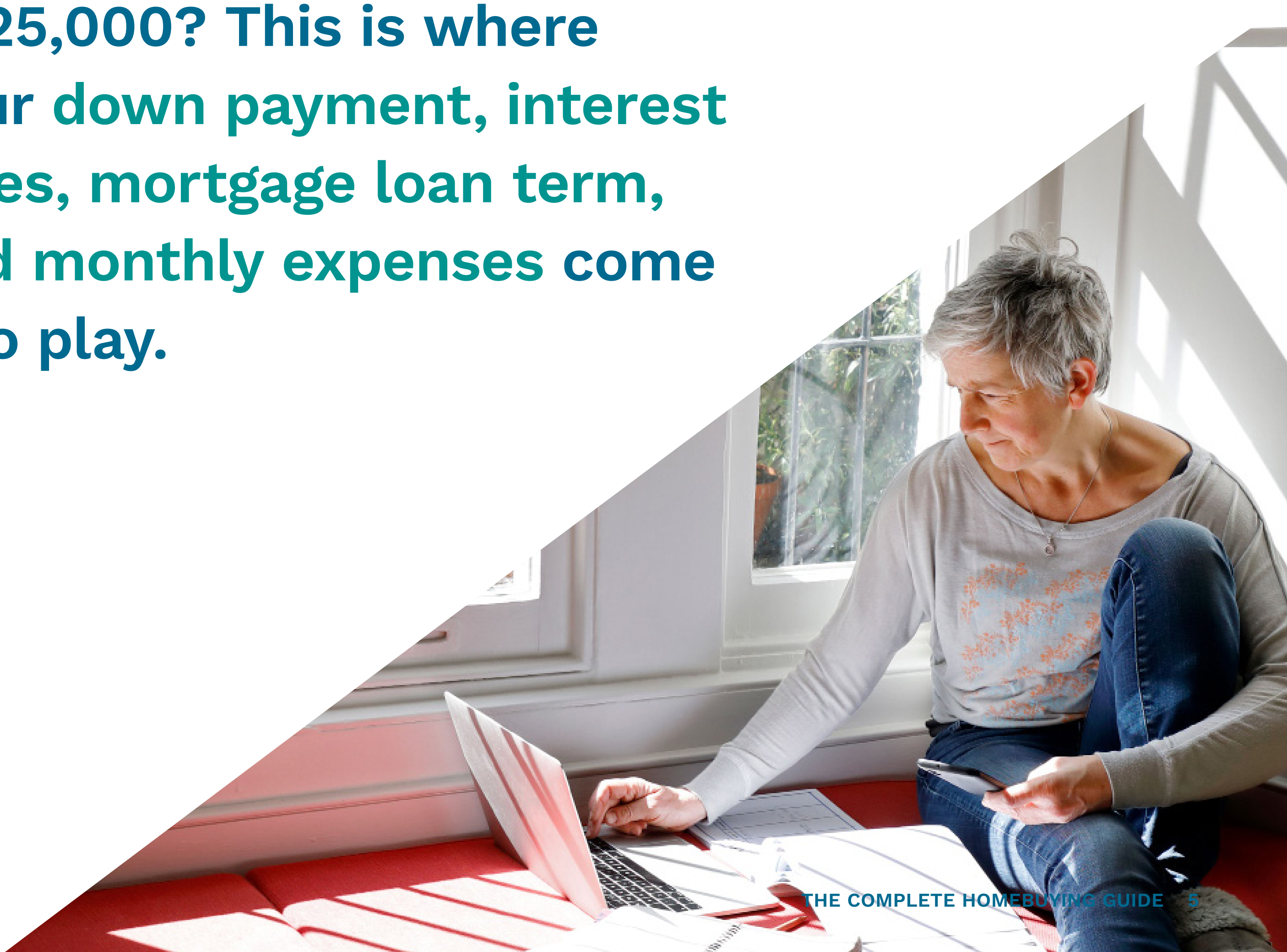
1 Understand the market

Maybe the best part of home shopping is the shopping part. Not only is it fun, but browsing for-sale listings online and visiting neighborhoods can help you discover residential properties, explore your likes and dislikes, and research local home prices. Shopping around will help you create a list of neighborhoods that meet your criteria, such as a short commute or quality schools. As you search home listings and fantasize about buying that perfect home, try our home affordability calculator to see how much you may qualify for in a mortgage loan.

2

Find out what you can afford

You may know you can't afford a $2-million house, but how do you know whether you can afford a $250,000 house versus one that is $325,000? This is where your down payment, interest rates, mortgage loan term, and monthly expenses come into play.



DOWN PAYMENT

Whether you have your own nest egg or need a little help from friends and family, establish how much you can pay up front (see more on low- or no-down-payment loan programs in step 3, below). Depending on your income and the price of the home, your mortgage lender may require your down payment be a certain percent of the total loan. The bigger your down payment, the less you will have to finance over the lifetime of your mortgage, and the lower your monthly payment will be.

INTEREST RATES

Interest rates fluctuate over time depending on several economic and personal factors (such as your income and credit history). They also vary from lender to lender in a competitive marketplace for mortgage loans. The higher the interest rate on your loan, the more costly it is over time, so shop around. Like your down payment, this is a variable that will affect affordability.

Check current rates

MORTGAGE LOAN

Mortgages come in many shapes and sizes. Some have 30-year terms, but others can be as short as 10 years. Some are guaranteed by certain government agencies like the FHA or VA. Use online tools to establish what you can afford based on your monthly income and expenses. AmeriSave offers a three-minute online preapproval to help you find the right loan at a low interest rate.

ADDITIONAL EXPENSES

Consider other expenses that you may not have had as a renter, such as landscaping, replacing or maintaining old appliances, paying utility bills and local taxes, and general maintenance and home repair. Include these expenses (plus closing costs, more on that below) as you determine your budget for a monthly mortgage payment.

3

Research mortgage loans and interest rates

Fortunately, lenders provide a lot of information online for borrowers to review. You can easily access information about the interest rates on offer and tools for finding out what interest rate you might qualify for. Because AmeriSave has developed an efficient automated application process, we are able to offer our customers extremely competitive rates. But don't just look for the lowest advertised rates: Be sure to check online ratings and reviews, which can reveal a lot about a lender's customer service and reliability.

Fixed vs. adjustable rate loans

In a fixed rate mortgage, the interest rate, principal payment, and monthly interest payment never change. With an adjustable rate mortgage (ARM), the interest rate changes as market conditions change. ARMs are hybrid loans that remain fixed for a certain number of years (five, seven, or 10) and then may adjust once per year. (Adjustable rate loans are best for those who expect to sell within five to 10 years.)

Mortgage loan programs

You may not need a large down payment to purchase a home. The following are attractive loans for first-time homebuyers because of their low down-payment options.

FANNIE MAE 3% DOWN-PAYMENT LOAN

Housing giant Fannie Mae offers a 3-percent down-payment loan specifically for first-time homebuyers. If you're buying a home with your partner or spouse, only one of you is required to be a first-time homebuyer. You may also qualify if you have not owned a home in more than three years.

USDA LOANS

If you live in an area that is rural or far from a city center, a USDA loan might be right for you. These loans have flexible credit score guidelines and offer 100-percent financing, so you don't have to come up with thousands of dollars for a down payment. Learn more about USDA loans.

FHA LOANS

Aimed at low- to moderate-income borrowers, FHA loans have a low 3.5-percent minimum down-payment requirement as well as flexible credit score guidelines. Learn more about FHA loans for low- and middle-income buyers.

VA LOANS

Active military and veterans may qualify for a VA loan. These loans do not require a down payment and offer flexible credit score guidelines. Learn more about VA loans for military veterans.

4

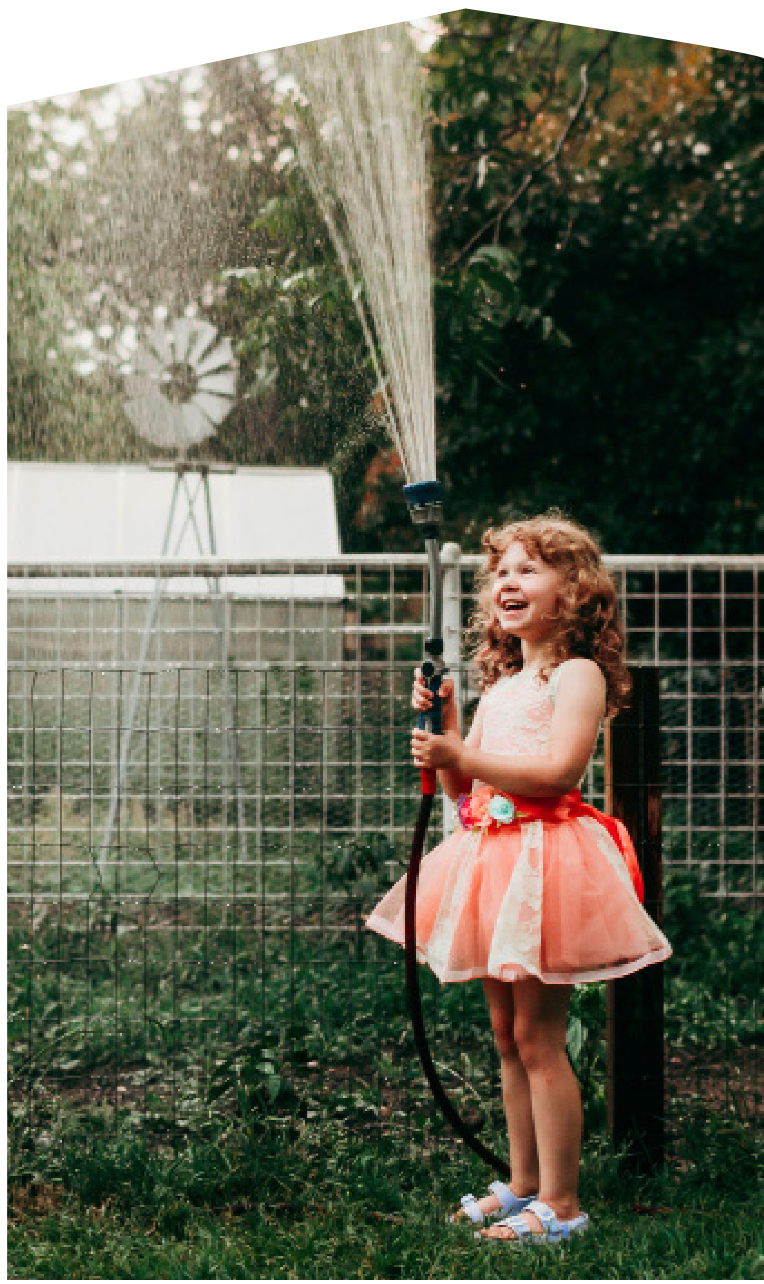
Contact the pros

Find a reputable real estate pro

A reputable real estate professional who knows the local home market and will work to fulfill your home wish list is an invaluable asset in your search. AmeriSave Realty agents work directly with our loan originators to ensure a seamless, worry-proof process.

Contact a lender to lock in a rate

You may begin to work with a lender in step 3 as you research interest rates. AmeriSave offers competitive rates and makes it easy to start an application and get preapproved. With Lock and Shop, you can lock a rate for up to 90 days, so you can shop with the confidence of knowing what your monthly payment would be at any given home price. You can also get preapproved for a mortgage in just three minutes with our streamlined process and have your questions answered by a live person by contacting an AmeriSave loan originator. One tip for success: Avoid any changes to your finances that could risk your preapproved status. For example, pay bills on time, don't make any major purchases, and don't close or open any credit accounts.



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Make an offer

Now that you're preapproved for a loan, buyers will take your offer more seriously than those of competing bidders who aren't backed by a lender. Work with an experienced real estate agent or real estate broker to help you negotiate with sellers and coordinate with other members of your homebuying team, including your lender, attorney, appraiser, inspector, and the seller's agent.

6

Schedule an inspection

Look before you leap! Although hiring an inspector is an additional cost to the buyer, a home inspection is a critical step in the homebuying process that can uncover costly issues (and is often required by mortgage lenders). Problems could be lurking that you may not be able to see during your tour, such as electrical issues or damage from flooding.

7

Tally your closing costs

Closing costs are another important expense to include in your budget calculations. These include fees for the many services and expenses needed to finalize a mortgage. On average, you can expect closing costs to equal between 2 and 5 percent of your total mortgage loan amount. So, if you purchase a $200,000 home, you could pay anywhere from $4,000 to $10,000.

Fees* that may be included in your closing costs

PROPERTY-RELATED FEES

These include fees for your appraisal (which lenders require to confirm the value of the home) and home and other inspections. Fees for appraisals and home inspections typically range from $300 to $500 each.

LOAN-RELATED FEES

These include a laundry list of fees, such as an application fee (for your lender's administrative and other costs), legal fees, prepaid interest, a loan origination fee (some lenders charge this fee to prepare your mortgage loan and related expenses, such as notary fees and the lender's attorney fees), and other fees that may or may not apply to you. For example, a mortgage broker fee is the commission (up to 5 percent) a broker charges you to find a loan. You may be able to bypass this fee by obtaining an online mortgage independent of a broker.

MORTGAGE INSURANCE FEES

Private mortgage insurance (PMI) insures your lender in the event you default on your loan. You may be required to carry PMI if your down payment is less than 20 percent of your loan. Fees include the mortgage application fee, upfront mortgage insurance (some lenders require you to pay the premium for the first year of the mortgage), and FHA, USDA, or VA fees, if applicable.

*These example fees are intended to provide general information about the types of fees that are typically incurred in obtaining a mortgage. Your actual fees may vary and could be higher. Review your loan documents for fees applicable to your situation.

PROPERTY TAXES AND INSURANCE

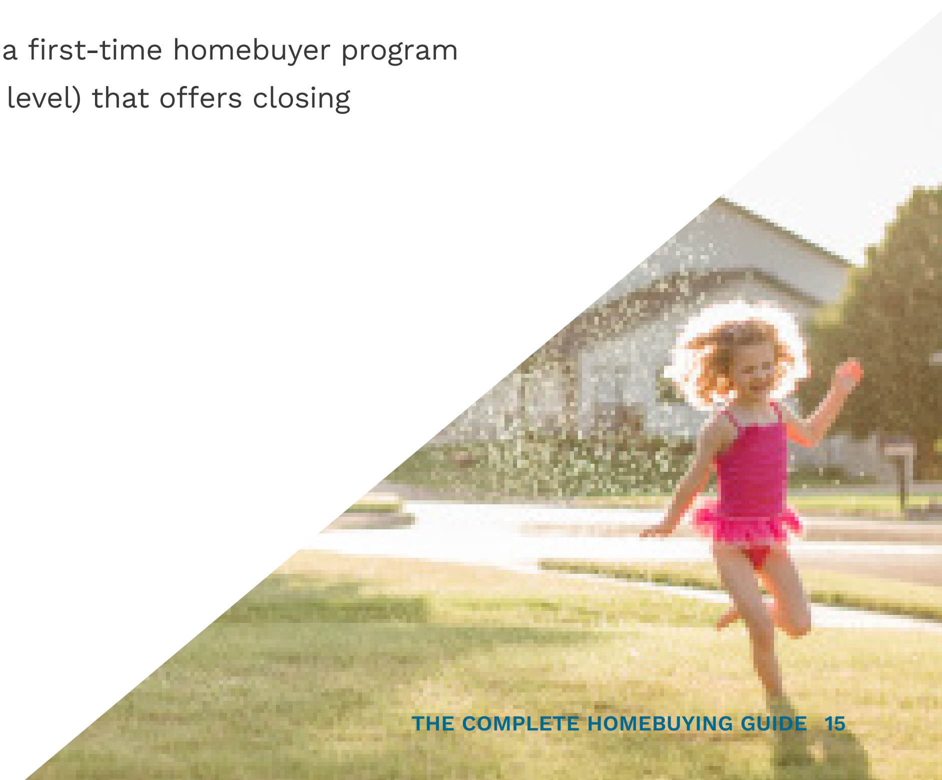
Typically, a buyer will be required to pay two months of local taxes up front. Lenders often require buyers to purchase homeowner's insurance before closing to cover the property in case anything happens

TITLE FEES

These include a title search fee (to confirm the owner has title and there are no undisclosed liens) and title insurance (to protect you, the homeowner, from any title defects that could prevent you from selling the property or, worse, have someone else claim it as their own). The cost of the owner's policy is about 0.5 to 1 percent of the purchase price, which is sometimes paid by the seller, depending on the region. Other fees not listed above might include HOA fees if you are purchasing a condominium, for example, and fees for federally backed loans (FHA, VA, USDA, etc.)

These amounts can seem daunting, but you do have options! You may be able to include closing costs in your mortgage loan, but financing them means adding to your interest expenses over the lifetime of the loan. If you can afford to, pay closing costs up front to save in the long run.

Better yet, find out if you're eligible for a first-time homebuyer program (including those sponsored at the state level) that offers closing cost assistance.



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Close the deal

A SEASONED REAL ESTATE ATTORNEY will see that all legal documents are in order and can counsel you on any negotiations. You, your lawyer, and your real estate representative may need to negotiate with the seller, for example, if any repairs are needed that turned up in your home inspection.

Your mortgage lender will finalize your loan and distribute funds to the seller. At the closing, sign all the paperwork and walk away with the keys to your new place!

Now that you're a homebuying expert (nice work!), explore loan options and find out what interest rates you qualify for.

GET STARTED TODAY

www.amerisave.com

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