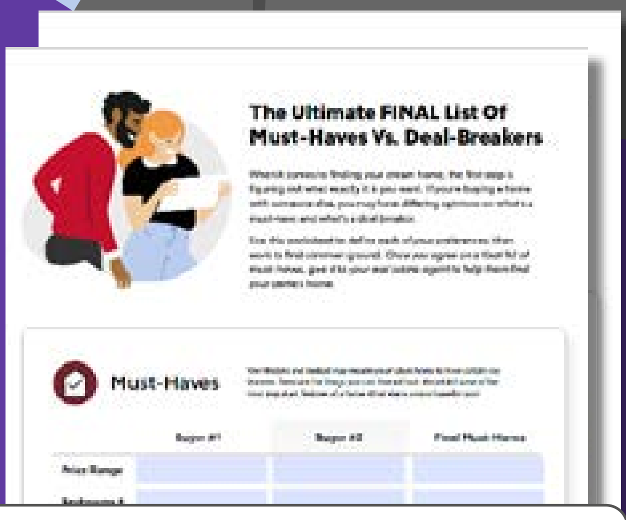
# A Complete Guide To Buying **Your First Home**

BY ROCKET MORTGAGE

DON'T MISS OUT

5 printable worksheets at the back of this eBook!

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INTRODUCTION

# Buying Your First Home

Jump To Worksheets

## Buying your first home is an extremely exciting time.

You can finally say goodbye to wasting your paychecks on rent and unlock the door to a place that is completely your own. If you've never gone through the process of buying a house before, however, hunting for your future home can feel a little intimidating and overwhelming. Don't worry – we're here to help.

## Buying a house for the first time doesn't need to be stressful.

If you do your research, you'll be able to show up confidently to your closing day and get the best deal possible on an amazing home.

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And luckily for you, doing your home buying research is easier than ever. In this eBook, we'll walk you through the process of buying your very first home and share some of our favorite tips, tricks and resources along the way. **Ready to begin? Let's get started!**

# Are You Ready To Buy A Home?

To help make your home buying journey as simple as possible, we've broken down the process into easy-to-follow steps. But before we start going through the do's and don'ts of house hunting, we need to make sure you're ready to buy a home in the first place. **Let's go over what that means.**

To be "ready" to buy a home, you don't need a million dollars in the bank or perfect credit. But what exactly do you need? Let's talk about what you need to know before starting the hunt for your dream home.

# Make Sure You're Aware Of All The Potential Costs Of Homeownership

VIDEO TOP 10 COSTS OF BUYING A HOME | THE RED DESK

If you're renting an apartment right now, the only things you're likely responsible for paying are monthly rent, utilities, renters insurance and other miscellaneous fees your landlord might ask you to pay such as a pool fee or pet rent. You might imagine that when you buy a house, it's roughly the same. That's not exactly true.

When you own a home, you'll be responsible for making **monthly mortgage payments, as well as utility payments, insurance payments and property tax payments**. If your house is part of a homeowners association, or HOA, **you'll have to pay monthly or annual HOA fees**, too.

On top of that, you'll also be responsible for just about anything that goes wrong in your house. Gone are the days of just calling your apartment complex's maintenance team when your washing machine breaks down and leaks water all over the floor – **if it breaks in your home, you're going to have to find (and often pay for) a solution yourself.**

## The good news is, there is one huge benefit to taking on all these new extra costs.

Unlike renting, the money you pay toward your mortgage and housing costs is now an investment. That means you're not just throwing money away – you'll be building equity in your home that you can cash in on when you sell or even refinance in the future.

Still, it's a good idea to understand all the costs before you do this for the first time. To learn more about what else you might be financially responsible for when you buy a house, check out our **guide to the costs of owning a home**.

# Make Sure Your Finances Are In Order

As you likely already know, when you want to purchase a home, your mortgage lender will look at your finances and credit history to determine how much money they're comfortable lending you. The amount of money (and interest rates) you qualify for will be based on your overall financial health – so before you apply for a mortgage, it's important to make sure you've paid off as much debt as you can, saved a good chunk of money and improved your credit score as much as possible.

Check Your Affordability

RESOURCES

**Check out these guides for help getting your wallet ready to buy a house:**

- **How Much Do You Need For A Down Payment?**
- **How To Repair Your Credit Score**
- **How To Save For A House**

THE 7 STEPS TO

# Buying Your First Home

Once you're confident that you're ready to get started, you can finally embark on the journey to buy your first home.

To help you navigate this exciting time, let's break down the 7 steps you'll need to complete to get the keys to your new address.

VIDEO FIRST-TIME HOME BUYER TIPS | THE RED DESK

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CHAPTER 1

# Finding A Real Estate Agent

*The home buying process would be a lot easier if you could just make* ***three wishes****. Two bedrooms, one bathroom, a big backyard – poof, there it is! Unfortunately, there's a bit more to the process than that. Luckily, you don't have to figure it out all on your own.* ***A real estate agent can help you turn your wishes into reality, no magic required****.*

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# The very first step you should take on your home buying journey is finding a good real estate agent.

**DEFINITION**

A **real estate agent** is a licensed professional whose job is to help you find the perfect home and get the best deal possible on it.

Agents have expert knowledge of the areas they work in, so they can help you every step of the way. Real estate agents commonly work on commission, so you usually won't have to pay them until they successfully help you purchase a home. Their commission will typically be a percentage of your home's sale price that will be included in closing costs. This percentage is usually 5% – 6%, and the seller is usually the party responsible for paying it.

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Your real estate agent will:

- ***Help you find the right house by touring homes with you***
- ***Manage and help you understand paperwork***
- ***Help set up inspections and other necessary appointments***
- ***Help you make an offer on a house***
- ***Negotiate on your behalf***

So, how do you go about finding a real estate agent? There are several ways you can get started. If you know friends or family who recently purchased a home, you could reach out to them and ask to be put in contact with their agent, if they had a good experience. It's important to remember that the right agent for your friend or family member might not be the right fit for you, though, so additional research is a good idea.


**Check out reviews of agents you know of online to get an idea of the experience other clients have had with them.** You can also sign up to **get matched with one of our Verified Partner Agents** at Rocket Homes℠. We'll do our best to find the perfect agent for you based on where you're located and what you're looking for in a house.

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Before deciding for certain to work with any real estate agent, you should interview them. Doing multiple agent interviews is a good idea to get a feel for what working with this person will be like. Tell them all your goals and pay attention to how they respond.

Working with a real estate agent isn't just about taking advantage of their knowledge and expertise – it's about working alongside someone you trust. Ideally, your agent should be someone you feel totally comfortable communicating with and relying on for help.

RESOURCES

**Helpful resources for finding an agent:**

- **What Does A Real Estate Agent Do?**
- **How To Find The Right Real Estate Agent Near You**
- **Connect With A Verified Partner Agent**

# 10 Interview Questions To Ask Your Real Estate Agent

As we noted above, it's a good idea to interview any agent you're thinking of working with. Here is a list of questions you can ask your agent to ensure you find the right person to partner with and represent you.

LIST **10 INTERVIEW QUESTIONS TO ASK YOUR REAL ESTATE AGENT**

1. How long have you worked as a real estate agent?
2. Do you work mainly with home buyers or sellers?
3. How many clients are you currently representing?
4. What are your hours of availability?
5. How do you communicate with your clients?

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6. How will you be paid?
7. How do you help buyers stand out?
8. How many homes have you closed on in the past year?
9. What's the neighborhood and surrounding area like?
10. Can you provide a list of references for your past work?

## Must-Haves Vs. Deal Breakers

When interviewing agents, to help them understand exactly what you're looking for, it's a good idea to come up with a list of exactly what you need from a house.

**That means writing down a price range, ideal bedroom and bathroom count, etc.**

We've included a helpful worksheet for you and anyone you may be buying your house with to fill out for your potential real estate agent. Getting your must-haves on paper will be extremely helpful for your agent as they try to determine how to best help you.

Find A Real Estate Agent

CHAPTER 2

# Figure Out How Much House You Can Afford

*Paying for a house isn't as scary as it sounds, don't worry; your seller isn't going to require that you pay in* ***magical beans****, your life's savings in gold or your favorite rare trading cards. Instead,* ***you will borrow a set amount of money from a lender*** *and repay it over a period of years to help make the cost of your house more affordable.*

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## Now that you've secured a real estate agent, it's time to find out how much house you can afford. This step is all about finding out what homes are realistically in your price range.

Determining your budget involves more than just taking a look at how much money is in your savings account. If you're financing a home, you're going to need a **mortgage**.

Lenders decide how much you can borrow for a mortgage loan based on several factors, like your credit score and debt-to-income ratio (DTI).

Depending on the strength of your finances and credit history, your lender may decide to lend you more or less and at a higher or lower interest rate.

With good credit (720+ FICO® Score) and steady income you can typically qualify for some of the best interest rates and loan amounts. With poorer credit (typically 620 or below), you may see higher interest rates or be restricted to the types of loans available to you.

VIDEO HOW TO BUY A HOUSE IN YOUR 20S THE RIGHT WAY


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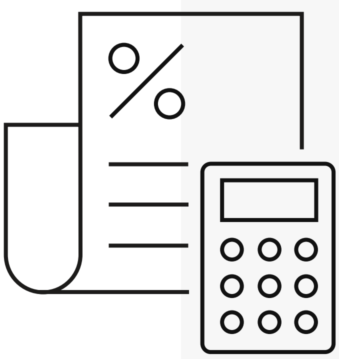
If you have a lot of student debt or credit card debt, that will impact your chances as well.



**DEFINITION**

**Debt-to-income ratio (DTI)** refers to the ratio of your monthly income to your monthly debt.

$$\text{DTI} = \frac{\text{MONTHLY DEBT}}{\text{MONTHLY INCOME}}$$

DEBT-TO-INCOME RATIO

Typically, lenders want you to have a DTI of less than 50% and usually will not qualify you if your DTI is higher than 43%. Some loans may require you to have a DTI percentage that is even lower. You can figure out your own percentage by using our **DTI calculator**.

# Home Affordability Calculator

To figure out how much your lender is likely to let you borrow, you don't have to calculate your DTI, expenses and other factors by yourself – you can just use our **Home Affordability Calculator**, which will give you a rough estimate of what a lender is likely to give you based on your finances. The calculator will even show you homes in your area that fit in your price range.

**RESOURCES**

- **How Much House Can I Afford?**
- **How Much Should I Spend On A House?**
- **What Credit Score Do I Need To Buy A House?**

CHAPTER 3

# Find A Mortgage Lender And Get Preapproved

*Your house is probably the biggest investment you'll ever make, so it's important to work with the right lender to find the best deal. Not every lender is a perfect Prince Charming – you will definitely run into some frogs. It's time to do your research and* ***find the perfect fit!***

Jump To Worksheets

**Once you have a good idea of your budget, what you want in a house and who you're going to be working with on the real estate agent side, it's time to take a big step forward and find the mortgage lender you'd like to work with.**

This can feel like a scary step, especially when you've never bought a house before. Finding a great lender is crucial, and everyone wants to make sure they're getting the best deal and working with a trustworthy financial institution.

If you're considering working with Rocket Mortgage, we can offer you a variety of benefits including acceptance of various **down payment assistance** programs.

Get Started With Rocket Mortgage

**With Rocket Mortgage, you can apply online, talk to one of our Home Loan Experts and get approved for a loan so you can start house hunting.**

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## Regardless of which lender you choose, you want to make sure you're getting the best loan possible from them.

To confirm you're getting a good interest rate and favorable terms, it's a good idea to "shop around" and see what different lenders may offer you. You can do this by getting prequalified with various lenders in a short timeframe and comparing apples to apples regarding loan options. This means comparing the same products against each other (ex: a 30-year fixed vs. a 30-year fixed rather than a 30-year fixed vs. a 5-year adjustable-rate mortgage).


**DEFINITION**

When you get **prequalified**, you give a lender some basic financial information, and they'll give you a potential loan amount in the form of an estimated range.

If you're more serious about purchasing a home, it's a good idea to go a step further and get preapproved, if they offer it.

**Preapproval requires more of your financial information and typically a credit check – but will tell you exactly how much money you can borrow for a house.** It's good to be certain with your budget so you can make a strong offer. It also helps your agent to know the exact price range of homes to show you so that you can shop and make an offer with confidence.

VIDEO PREAPPROVAL VS. PREQUALIFICATION | THE RED DESK

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**When getting prequalified with a lender, it's a good idea to ask the home loan expert you're in contact with a few questions to get an idea of what your client experience might be like with that particular lender.**

Here are a few questions you can ask a loan expert to get started.

LIST 13 QUESTIONS TO ASK MORTGAGE LENDERS

1. What types of mortgages do you offer?
2. Do you offer preapproval or prequalification?
3. What credit qualifications do you require?
4. What are your income requirements for buying a house?
5. What down payment will I need to buy a house?

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6. If I wanted to, is it possible to buy a house without my spouse?
7. What will my interest rate and APR be?
8. What will my monthly payment be?
9. Do you offer a mortgage rate lock?
10. Can I buy down my rate with mortgage discount points?
11. Do I need an escrow account for taxes and insurance?
12. What will my approximate closing costs be?
13. Is there a prepayment penalty?

RESOURCES

Start Your Preapproval

- **Preapproval Vs. Prequalification: Which Should You Get?**
- **How To Get A Mortgage: A Step-By-Step Guide**
- **How To Qualify For A Mortgage**

CHAPTER 4

# Begin The House Hunt

*There are a lot of houses out there, and not all of them will be your favorite. Some will be too hot, some will be too cold – and some will have really outdated kitchens. It's up to you and your agent to* ***find a house that's just right****.*

Jump To Worksheets

**Finally, it's time for one of the best parts of the home buying journey – finding your house!**

**Now that you have a firm grasp on your budget, the kind of house you're looking for and who you'd like to be your mortgage lender, you can start hunting for your dream home.**

Now is also the time to revisit your wants and needs in a house with your real estate agent. If you filled out our list of must-haves and deal breakers earlier, go back through your answers and revise anything that's changed.

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As you start to visit house showings with your real estate agent, there are a few additional things you may want to keep in mind, too.

> ***Is the home in a good location?***
>
> ***What are the surrounding schools like?***
>
> ***How long would your commute to work be?***
>
> ***Does the house look like it needs updates or repairs?***
>
> ***Is it an older house?***

In addition to these important things, think about design aspects, too.

> ***Do you like the exterior of the house?***
>
> ***Would you want to paint many of the walls inside?***
>
> ***Will your furniture fit in the living room?***

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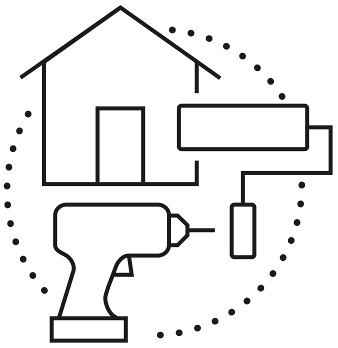
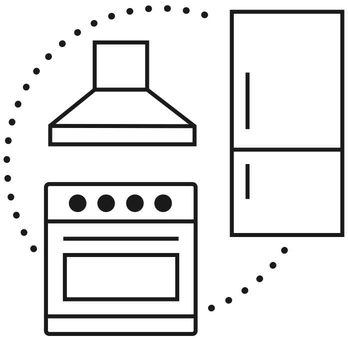
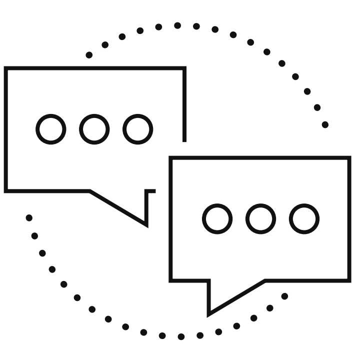


**It's important to note that no house is perfect, so keep in mind that you may need to make some compromises on your potential home.**

If you love the whole house except that ugly, outdated kitchen, it might be worth it to buy anyway and renovate. Just keep in mind that renovations will be additional costs.

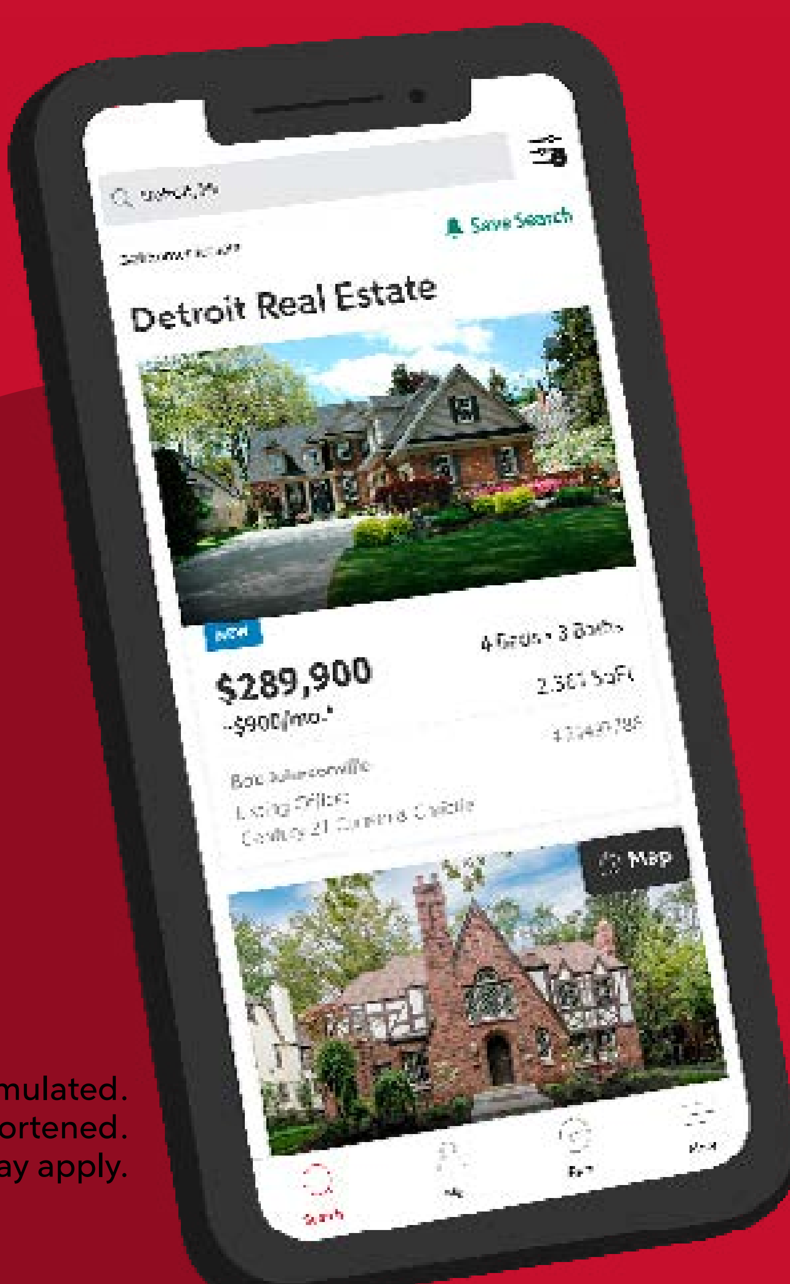




You can sometimes negotiate with home sellers to get them to cover the costs of some repairs and renovations during closing, but in a hot market, this likely won't be an option.

Finally, remember that looking at houses in person isn't the only time you'll have to shop around.

> **You can use Rocket Homes to peruse homes for sale near you any time on your phone, tablet or computer.**

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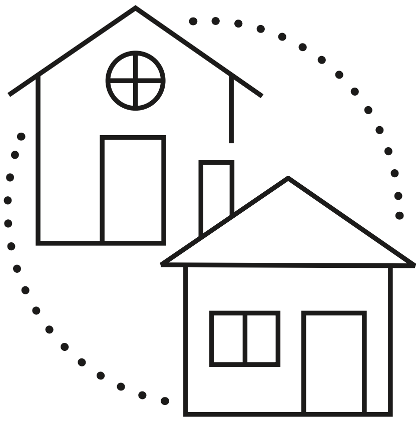

# Home Comparison Tool

When you're looking at a lot of homes during a short time period, it can be hard to keep the pros and cons of each one fresh in your mind. Use our home comparison sheet to jot down notes on the homes you visit to compare later when you're making a decision.

Jump To Comparison Tool

Print This

**RESOURCES**

- [Your House Hunting Checklist]
- [Starter Home Or Forever Home?]
- [20 Popular Home Styles]

Jump To Worksheets

CHAPTER 5

# Make An Offer On A Property

*To get **the house of your dreams**, you'll have to come up with an offer the seller can't refuse. But you won't be the only person with a **coin to toss** in the wishing well – so it's important to make sure you're proposing a fair trade, or your wish may not come true.*

Jump To Worksheets

**You did it – you found the perfect home! After searching, touring and weighing pros and cons, you've finally found the house for you. Cue the confetti! Now, here comes the exciting part – making an offer.**

This part of the buying journey is where your real estate agent will help you the most. As an expert, they can help you make an offer that's fair to both you and the seller – and hopefully gets everyone what they want.

Chances are, there are other buyers and their real estate agents going after the very same house as you. So how do you make sure the seller chooses your offer? There is no one way to win a house – especially if there's a bidding war involved. All you can do is make your best offer, negotiate with the help of your real estate agent and hope for the best.

VIDEO 5 STEPS TO MAKE AN OFFER ON A HOUSE | THE RED DESK

**Initially, your real estate agent will hopefully do some research for you to help decide what to offer the house's seller.**

Learning how much similar homes nearby are selling for and why the homeowners are selling in the first place can help your agent get the insight they need to help you succeed. Your agent should be able to help you come up with an initial offer amount to get negotiations started. The key is to offer enough that you'd be getting a deal, but not so little that you offend the homeowner!

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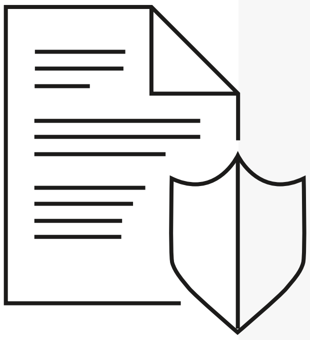
In a very competitive market, you may not want to start with a lower offer at all. Your agent will be able to help you gauge where to start. Once you've settled on a number for your opening bid, you should also decide whether you want to make a contingent offer.



**DEFINITION**

**Contingencies** are stipulations in your offer that give you the right to back out of the sale if something goes wrong. For example, if you make an offer with an appraisal contingency, the seller will have to agree to let you back out of the deal if their home appraises for less than the listed market value.

Once you and your agent have decided which (if any) contingencies to include in your offer, you should also consider whether you want to offer the seller earnest money.

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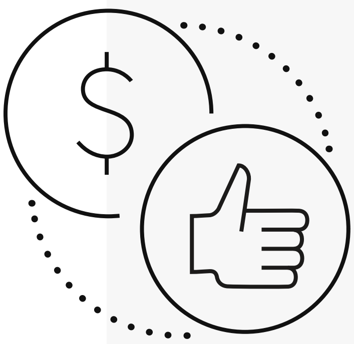
**DEFINITION**



**Earnest money,** also called a good-faith deposit, is money that you put down upfront before closing on a home to show that you're serious. If your offer is accepted, earnest money is used for either part of your down payment or closing costs. You don't have to offer earnest money, but it can help your offer stand out.

*But also note that if you back out of the agreement without a contingency in your offer letter, you would lose your earnest money deposit.*

Finally, you and your agent will write an offer letter to the seller detailing the following:

- ***The address of the home you want to buy***

Jump To Worksheets

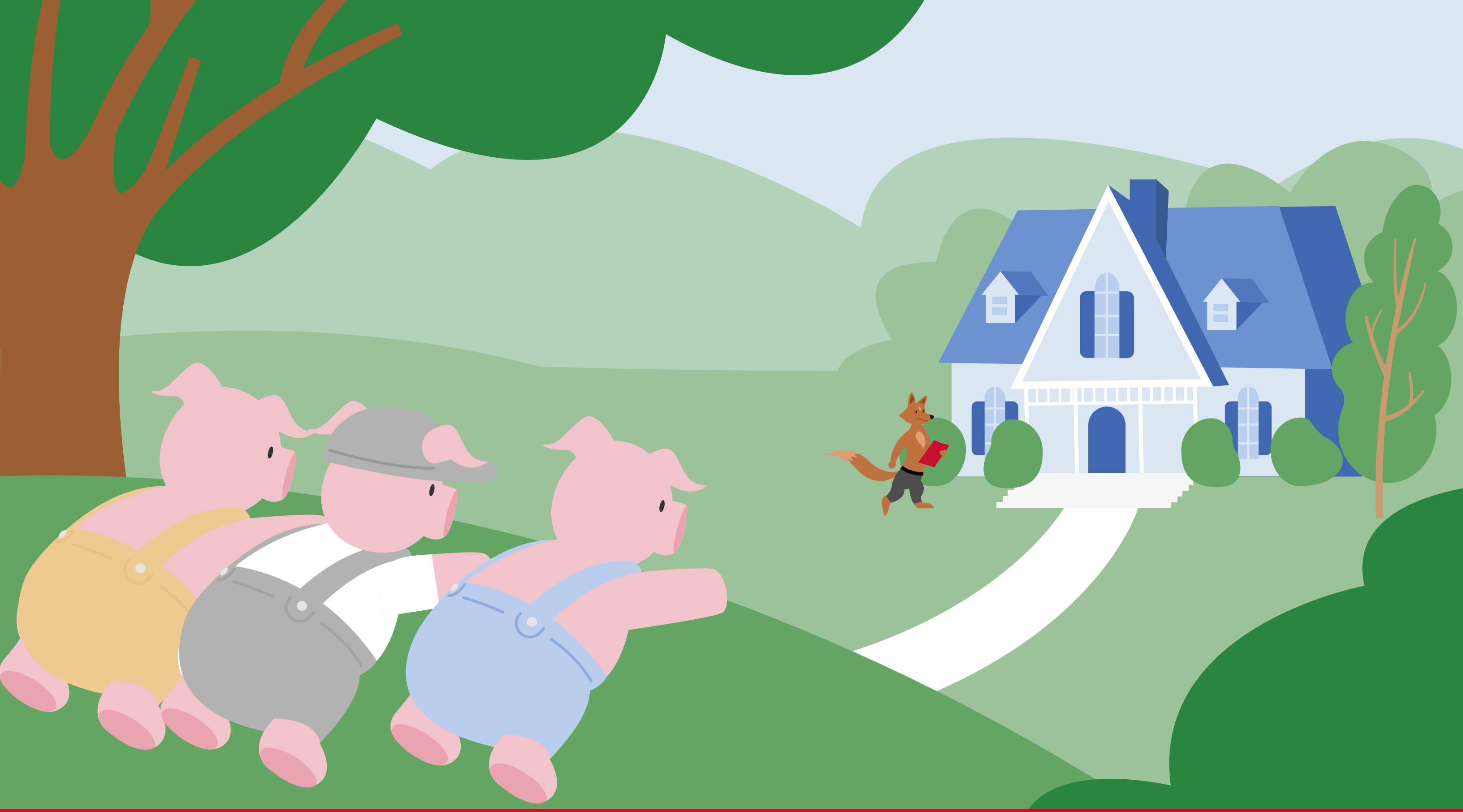
- ***Your name and the name of anyone else who will be on the house title with you, such as a spouse***
- ***The amount of money you want to offer for the home***
- ***Any contingencies the home needs to meet before the sale goes through, such as a successful inspection***
- ***Any concessions you're asking from the seller, such as covering closing costs or repairs***
- ***Items you want included in the sale, such as window treatments, appliances or lighting fixtures***
- ***The amount of your earnest money deposit***
- ***Your mortgage preapproval letter so the seller knows you can fund the purchase***
- ***The date you expect to close on your loan***
- ***The date you want to move into the home***
- ***The deadline to respond to your offer***

Jump To Worksheets

Should the seller accept your offer (or counteroffer), your real estate agent will help you figure out how to proceed to the next step. If the seller rejects, pick yourself up, dust yourself off and get back to the house hunt!

RESOURCES

- **How To Make An Offer On A House In 5 Steps**
- **What Is A Contingent Offer?**
- **How To Bounce Back After Your Offer Was Rejected**



CHAPTER 6

# Home Appraisal And Inspection

***If the three little pigs had gotten home appraisals and inspections****, they might have realized their houses had some serious structural issues. Before you seal the deal on your home purchase, it's important to hire a professional to* ***take a closer look at your home*** *to make sure it will take more than a huff and a puff to blow your house down.*

Jump To Worksheets

## Your offer was accepted! Now what? Well, once the seller agrees to your terms, it's time to do an appraisal of the property.

**DEFINITION**

An **appraisal** is an examination of a home done by a third-party licensed professional called an appraiser. The appraiser looks at certain aspects of the home to determine the fair market value, or in other words, what the house is actually worth.

*If the appraiser determines that the property is worth less than you offered, you would have to put more down at closing to cover the gap or you may want to back out of the sale, since your lender cannot lend more than the home's value.*

Jump To Worksheets

**An appraisal makes sure you're not paying more for a home than it's worth.** After the appraisal, you may also want to schedule a home inspection.

DEFINITION

A **home inspection** is different from an appraisal. It's a much more thorough look at the property and is intended to find any issues with the home rather than just determine the value of it. A home inspector will search for damages, things that don't work and areas of the home that may need repairs soon.

A home inspection is not required but is highly recommended to make sure you don't buy a house with hidden issues. The last thing you want to do is buy a home and then find out it has significant foundation problems or roof damage.

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**To schedule a home inspection, talk to your real estate agent and your lender.** Both can likely refer you to reputable inspectors that will examine your future home thoroughly. The cost of your appraisal will likely be included in your closing costs, but your inspection fee will be a separate charge that comes out of pocket, since it is not technically required. Appraisal and inspection costs will vary based on your location.

An appraisal might run you anywhere from $300 to north of $1,000 depending on your area and the appraiser. A home inspection is typically $300+ in addition to any other testing you want to have done, such as mold testing, asbestos testing and termite inspections which can add to the price.

**RESOURCES**

- **What Is An Appraisal?**
- **Appraisal Vs. Assessment**
- **How An Appraisal Impacts The Selling Price And Mortgage Amount**

CHAPTER 7

# Close On Your Loan

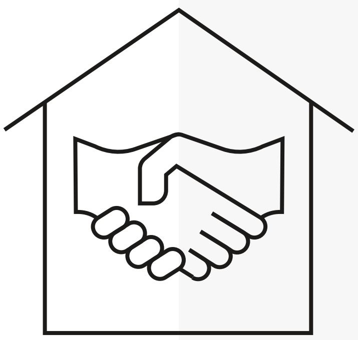
*As our adventure nears its end, it's time to gear up for the final battle. All that stands between you and your first home now is the closing table.* ***Pat yourself on the back*** *– and get ready to sign some paperwork.*

Jump To Worksheets

## Finally, you've made it to the finish line. Once you've managed to find that perfect house, make an offer, get accepted and complete any appraisals or inspections necessary, it's time to close on the house and get those keys to the front door.

On average, it takes 30 – 45 days to close on a home, from applying for the house to sitting at the closing table. When your closing date finally arrives, there's just a few more things to take care of before the house is yours.

You'll sit down with your real estate agent, the seller, their real estate agent and any other parties involved like attorneys or notaries. Together, you'll go through all the documents that need to be signed by both sides – and you'll pay closing costs.



DEFINITION

**Closing costs** are the costs and fees you pay to close on a home. These costs usually amount to 3% – 6% of your loan amount – so if you're buying a house for $200,000, you might expect your closing costs to be around $12,000. Some costs are paid by you and others may be covered by the seller.

*Things like your application fee, real estate agent commissions, attorney fees, mortgage insurance and your credit reporting fee are all typically included in closing costs. You can check out our complete guide to* ***closing costs and who pays them****.*

VIDEO CLOSING COSTS | THE RED DESK

If all goes well, you'll sign your papers, pay closing costs and get the keys to your new home. Be sure to store all your closing documents in a safe in case you need them in the future. After that?

## Congratulations!
## You're officially a homeowner!

RESOURCES

- Closing On A House: Step By Step
- How Long Does It Take To Close
- Plan Ahead: The Complete Moving Checklist

Jump To Worksheets

# The Ultimate FINAL List Of Must-Haves Vs. Deal Breakers

When it comes to finding your dream home, the first step is figuring out what exactly it is you want. If you're buying a home with someone else, you may have differing opinions on what's a must-have and what's a deal breaker.

Use this worksheet to define each of your preferences, then work to find common ground. *Once you agree on a final list of must–haves, give it to your real estate agent to help them find your perfect home.*

## Must-Haves

Your lifestyle and budget may require your future home to have certain key features.T hese are the things you can't live without. We added some of the most important features of a home. What else is a must-have for you?

| | Buyer #1 | Buyer #2 | Final Must-Haves |
|---|---|---|---|
| **Price Range** | | | |
| **Bedrooms #** | | | |
| **Bathroom #** | | | |
| **Sq. Footage** | | | |
| | | | |
| | | | |
| | | | |

ROCKET Mortgage

# Home Comparison Tool

With so many great houses on the market, it can be hard to remember the details of each one. Use this sheet to keep track of some of your favorite homes, so you can compare each one and narrow down your options.

| | House 1 | House 2 | House 3 | House 4 |
|---|---|---|---|---|
| **Nickname*** | | | | |
| **Asking Price** | | | | |
| **Square Footage** | | | | |
| **Year Built** | | | | |
| **# Bedrooms** | | | | |
| **# Bathrooms** | | | | |
| **Nearby Amenities** | | | | |
| **Commute Time** | | | | |
| **School District** | | | | |
| **Improvements Made** | | | | |
| **Top 3 Renovations Needed** | 1.<br>2.<br>3. | | | |
| **Estimated Reno Costs** | 1.<br>2.<br>3. | | | |
| **Top 3 Favorite Features** | 1.<br>2.<br>3. | | | |
| **Top 3 Least Favorite Features** | 1.<br>2.<br>3. | | | |
| **Additional Notes** | | | | |

** Don't forget to include a distinct nickname that describes each home ("yellow house," "lake house," "rose garden house," etc.) to help jog your memory even more.*

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ROCKET Mortgage

# Home Buying Checklist

Keep this list handy and check off each step as you go through the home buying process and move into your dream home.

## 1. Find A Real Estate Agent

Use the skills and local knowledge of an agent to find the perfect home and negotiate the sale.

## 2. Figure Out How Much House You Can Afford

Review your savings, debts and living expenses to see what you can reasonably spend on your down payment and monthly mortgage payments.

## 3. Find A Mortgage Lender And Get Preapproved

Get a better idea of how much you can spend on a home and show sellers you're a serious buyer who can secure financing.

## 4. Begin The House Hunt

Let your agent know your budget, must-haves and deal breakers so they know what to look for.

## 5. Make An Offer On A Property

Determine your offer and which contingencies to request, then submit your offer and put down an earnest money deposit to show you mean business.

## 6. Home Appraisal And Inspection

Learn the true value of the home, which is the max amount you can borrow, and find out if it has any issues to make sure it's a good investment.

## 7. Close On Your Loan

Read and acknowledge your Closing Disclosure before closing day, then come to the table with your ID, down payment and closing costs. Sign the proper documents and receive the keys to your new home.

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