

The **First-Time** **Homebuyer's** Guide

Everything you need to accomplish
your homeownership goals with
confidence.



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Mortgage 101

The basics of homeownership.

Acronyms. Rate tables. Banking terms. To anyone buying their first home, the mortgage landscape can be overwhelming. That's why we've put together a homebuyer's guide that tells you everything you need to know about joining the exciting ranks of homeownership.





MORTGAGE 101

You **don't** have to put **20% down**.

You may have heard that you need to have 20% of your home's purchase price ready to go for a down payment. In reality, many home loans accept down payments as low as 3-3.5%. And some loans—like VA and USDA mortgages—require no down payment at all.

Next steps after your **offer is accepted**.

Once your offer is accepted, you'll need to get an appraisal of the house. The appraisal provides an unbiased estimate of its value. If that value is lower than your offer, you'll need to re-negotiate with the seller, pay the difference, or cancel your offer and keep looking.

MORTGAGE 101

Earnest money, defined.

Earnest money is a deposit you give the seller to let them know you're serious about buying their house. Typically, earnest money is 1-3% of the purchase price, and this deposit will count toward your down payment and/or closing costs.

Pro Tip: Hold off on big purchases until closing.

So the seller accepted your offer, and you're ready to go shopping. But you shouldn't make any big purchases. Yet.

Why? Because your credit score and assets are still under the microscope until you officially close on the house. And any extra purchases—no matter how exciting—could impact your loan eligibility.

MORTGAGE 101

Rates **aren't** everything.

Your loan interest rate is important (the lower it is, the less you'll pay each month), but it's not the only factor of your mortgage terms to consider. Loan type. Adjustable-rate vs. fixed. Length of loan. These are all things that can make a big difference.

Reasons to **stop** renting.

As long as you don't plan to sell the place you own sooner than six years after you buy it, buying a home is a great way to build equity.

And, while your home value is susceptible to market fluctuation, rent payments increase an average of 3-5% year after year regardless. Which brings us to our next topic—one that'll help you feel even more confident about your decision to purchase your first home.

Buying vs. Renting

**Why homeownership
is a smart investment.**

If you're reading this guide, you're probably weighing the pros and cons of renting vs. owning your space. What if, instead of sending your monthly rent payment into your landlord's pocket, you spent the same amount on a mortgage? Let's break down what the transition can do for your goals.





Let's crunch **the numbers.**

The equation

YOUR MONTHLY RENT PAYMENT ÷ 55 **x** 10,000 + DOWN PAYMENT
= ESTIMATED HOME BUDGET

The Results

Rent Payment	Total Mortgage Amount	Total Home Budget
\$1,000.00	\$175,000 - \$200,000	Plus your down payment
\$1,500.00	\$260,000 - \$285,000	Plus your down payment
\$2,000.00	\$360,000 - \$385,000	Plus your down payment
\$2,500.00	\$440,000 - \$465,000	Plus your down payment
\$3,000.00	\$540,000 - \$565,000	Plus your down payment
\$3,500.00	\$620,000 - \$645,000	Plus your down payment
\$4,000.00	\$715,000 - \$740,000	Plus your down payment
\$4,500.00	\$810,000 - \$835,000	Plus your down payment
\$5,000.00	\$890,000 - 915,000	Plus your down payment

*This formula works because it assumes you'll pay \$55 in principle and interest monthly for every \$10,000 you borrow. Since the calculation uses a 5% interest rate, you could get more home for the same payment if interest rates are lower. Same goes for higher interest rates - you'll get less home for the same payment. Plus, your credit score and work history play a big role in the mortgage amount you can qualify for. And keep in mind that this calculation doesn't include private mortgage insurance (PMI) or FHA mortgage insurance premium (MIP), which you might have to pay if you put less than 20% down up front. If you have to pay PMI or MIP, your home budget could be lower. Taxes and insurance are also excluded from this calculation. Remember, it's hard to know exactly how much you can spend on a mortgage until a professional helps you crunch the numbers. So reach out for a free customized quote.

BUYING VS. RENTING

Homeownership is an **investment in your future.**

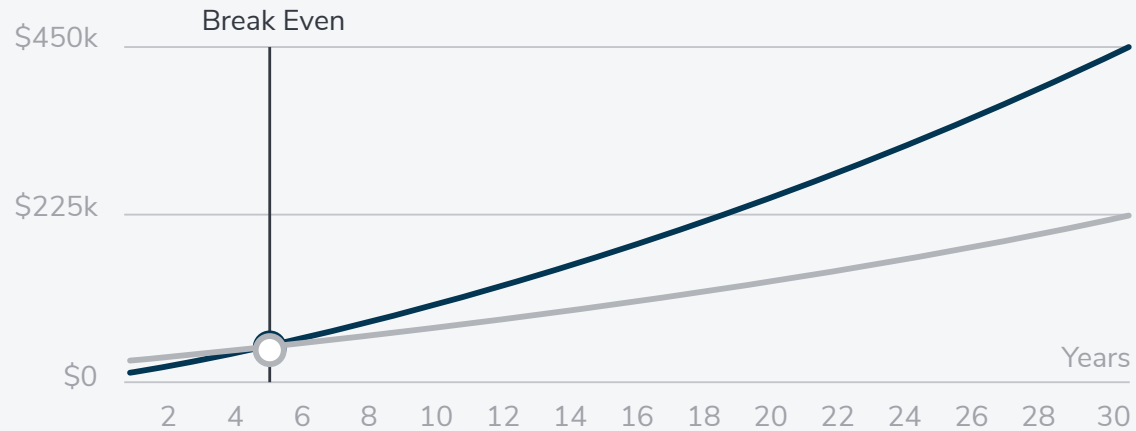
While homeownership incurs additional costs, like a downpayment and private mortgage insurance, it's only a matter of time before homeownership costs break even with rental costs.

It's important to note that factors like the overall loan amount and your down payment will affect the break-even time frame, but the data proves that homeownership is the wiser long-term investment.

BUYING VS. RENTING

You'll save \$48 per month and \$2,856 in total

Total Cost



Your cost breakdown

	Rent	Buy
Monthly cost	\$1,039	\$991
Total cost	\$62,328	\$59,472

Your Mortgage Glossary

**The definitions you
need to buy with
confidence.**

Throughout the homebuying journey, you may encounter new phrases and terms that are key to understanding the mortgage process. Let's break down some of the most important terms to know, so you can feel empowered on your way to feeling at home.



MORTGAGE GLOSSARY

Pre-approval

An estimate of your mortgage amount and interest rate based on your financial information. A pre-approval comes with an official pre-approval letter, good for 90 days. And, it can help you move to the top of any seller's offer list.

Private mortgage insurance (PMI)

An added monthly fee that protects your lender if you make a down payment of less than 20% when you buy a home with a conventional mortgage.

Adjustable-rate mortgage (ARM)

A mortgage loan with an interest rate that may go up and down over the life of the loan.

Escrow

An account that allows the lender to collect your estimated taxes and insurance and pay those fees for you. That means you don't have to make tax and insurance payments separately. It'll all be included in your mortgage payment.

MORTGAGE GLOSSARY

Purchase agreement

A binding contract between you and the seller. It covers the details of the home purchase, including the purchase price, earnest money amount, required home repairs, fixtures and appliances to be included in the sale, and more.

Closing disclosures

A document that will be sent to you at least three days before you close on your home loan. It covers your mortgage interest rate, your future monthly payment, and a breakdown of your closing costs (the fees you pay to get your mortgage).

Home equity

What a home is worth in the current real estate market minus the amount owed on the home loan.

Fixed-rate mortgage

A mortgage loan with an interest rate that stays the same for the life of the loan.

The Homebuying Timeline

**All the steps
to get you home.**

Homebuying is a process with steps that require collaboration among multiple parties. But with the right partners and a little organization, it's less complicated than you think. Here's how it all breaks down and what you can expect along the way.





01 Find out what you can afford

A mortgage professional will get some basic info from you and give you a general estimate of the loan amount you qualify for. Add this amount to your projected down payment, and you'll get a good idea of your home budget.

02 Make your “needs and wants” list

It's helpful to know exactly what you're looking for in a home. After all, you deserve to love where you're living. Need some inspiration? We've got you covered with a printable checklist at the end of this guide.

03 Select a real estate agent

Like texting? Prefer phone calls? Pick a real estate agent who communicates the way you're most comfortable. And, of course, you should like their personality and trust their expertise.

04 Get pre-approved for a mortgage

Your mortgage professional will dig a little deeper into your finances and give you a letter confirming your pre-approval amount. This letter is a great tool when you're making an offer on a house. And remember: pre-approval letters usually have an expiration date of 90 days.

05

Go house hunting

Next, it's time to get out and explore potential homes. Keep your "needs and wants" list in mind as you search. And pro tip: Don't tour a home outside of your budget.

06

Lock in a rate

Locking your rate at this point means you don't have to worry about it when it's time to make an offer. Plus, if rates change before your application is finalized, you'll still have the original rate you locked in.



07

Make an offer on a home

Your pre-approval letter can help you make a more competitive offer on your potential home. Keep the current housing market and your budget in mind when making an offer.



08

Get your home loan approved

Congrats! The seller accepted your offer. Now, your mortgage professional will tie up loose ends and work to officially approve your home loan.



09 Get home appraisal results

This step provides a neutral estimate of the home's value. It gives you and your mortgage lender confidence in the financial investment you're about to make.

10 Home inspection

Your mortgage lender will likely require this. But it's also really helpful to you as the buyer. If the inspection uncovers a big issue, there's still time to re-think the purchase.

11 Final walk-through

Inspect your future home one last time before signing the final paperwork. Check that the house is in the same condition as when you made the offer, and confirm completion of any repairs requested in the purchase agreement.

12 Close on your first home

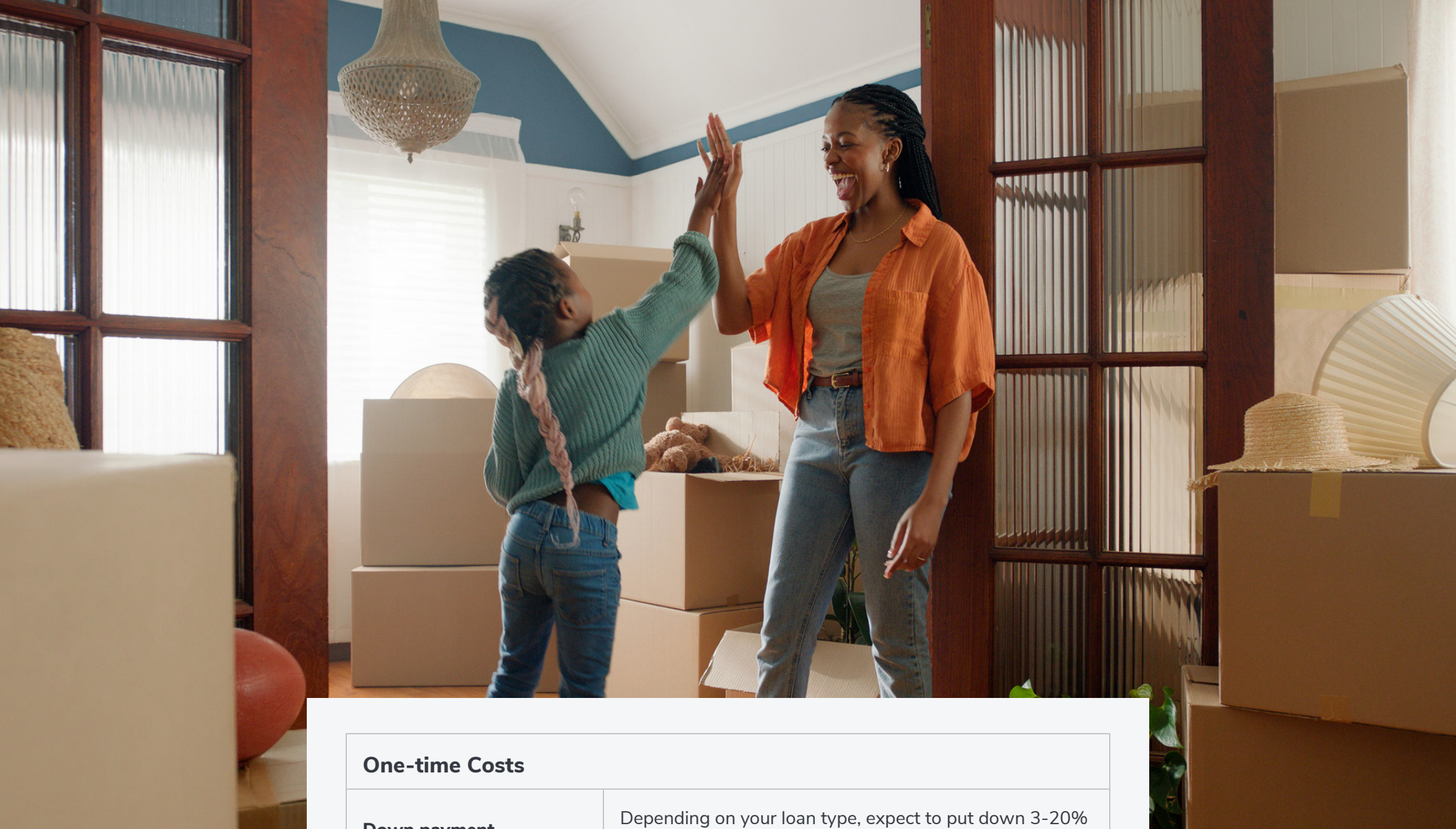
Today, you get your home! That includes the title and a home loan. Before you get the keys, you'll need to sign the closing documents and pay any closing costs or fees that are due.

Fee Explanations

Breaking down your home purchase costs.

Purchasing a home is a significant financial investment. You can expect to pay fees along the way and throughout the life of your home loan. Here's a breakdown of some basic one-time and ongoing costs.





One-time Costs

Down payment	Depending on your loan type, expect to put down 3-20% of the purchase price
Closing costs	A good rule of thumb is about 2-5% of the purchase price
Appraisal fee	Generally \$400-500
Inspection fee	Generally \$300

FEE EXPLANATIONS

Ongoing Costs	
Mortgage payment	This is dependent on a few things: Loan product, loan term, and down payment amount. Our team can help you run the numbers.
Property taxes	Vary by region, but your loan officer can look up previous property tax history to help you estimate this payment.
Homeowners insurance	A good rule of thumb when budgeting for a home is around \$100 per month*.
HOA fee, if applicable	Varies by area and can be billed/collected monthly or annually.
Private Mortgage Insurance (PMI), if applicable	Varies based on loan amount and down payment. You can expect this fee if you put less than 20% down. But some loan products allow you to roll this fee into your monthly payment over time.

*This is subject to the insurance policy you choose, and costs may be more or less.

Your House-Hunting Checklist

**Factors to consider
in your future home.**

To determine your needs and wants for your next home, fill in any empty spaces in the first column, then prioritize your wishlist by numbering each item in the second column. With that, you'll have a clear picture of what you're after and how to get there.





- ☐ Neighborhood: _____
- ☐ Number of bedrooms: _____
- ☐ Number of bathrooms: _____
- ☐ Garage size (number of cars): _____
- ☐ Minutes in work commute: _____
- ☐ Architecture style: _____
- ☐ Open concept: _____
- ☐ Large walk-in closet: _____
- ☐ Home office: _____
- ☐ Main floor master bedroom: _____
- ☐ Loft area: _____
- ☐ Covered porch: _____
- ☐ Minimal yard upkeep: _____
- ☐ Fenced-in backyard: _____
- ☐ Move-in ready: _____
- ☐ Desired kitchen finishes/appliances: _____

HOUSE-HUNTING CHECKLIST

And while we're making lists, here's one with **all the documents you'll need** for a pre-approval letter.

- Most recent pay stubs and proof of other income or assets
- Employment history records
- Letter of explanation for gaps in employment greater than 30 days
- Bank, retirement, and brokerage account statements
- Tax returns / W-2s
- Social security number
- License or Personal Identification
- Landlord information to verify rent payments (if applicable)
- Divorce decree (if applicable)

Whether it's your first home or your fifth, we're here to help.

Reach out for a free, customized mortgage quote.



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