



HOME BUYERS Guide



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YOUR GUIDE TO THE Home Buying Process

Hello,

Most buyers who begin the process of looking for a home begin the journey filled with excitement and a bit of trepidation.

This is understandable when you consider that purchasing a home is one of the biggest financial decisions you will make during your lifetime.

Not only do we understand this, we believe that home ownership is something you can be proud of. We believe, it's an honor and privilege to ensure that the home buying process is the most pleasurable experience possible.

Whether this is your first home or your tenth, this guide is intended to help you navigate the home buying process.

Let's get started on the journey of getting you the home you want!



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Owner | Licensed Realtor® in MO

Graham & Grace Realty

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TOP 10 REASONS to Buy a Home

1. **Quality of Life** - Home ownership is part of a better quality of life for most buyers. The quality of our living situation directly impacts how we feel.
2. **Avoid the Tax Man | Tax Deductions** - Buying a home helps you avoid the tax man with tax deductions for both mortgage interest and property taxes. Property taxes and qualified interest are deductible on an individual's federal income tax return.
3. **Spend Money to Make Money** - With the right real estate consultant, home ownership and the potential for appreciation means that ultimately you have the opportunity to get a return on your investment.
4. **Deferred Gain and Capital Gain Treatment** - A homeowner can exclude up to \$500,000 of capital gain tax if married and filing jointly or up to \$250,000 if single or filing separately when you sell your home. The home must have been the taxpayer's principal resident for the previous two years.
5. **Principal Accumulation** - As a homeowner, a portion of each amortized mortgage payment typically goes to principal, which in the long run is an investment.
6. **It's The American Dream** - Owning a home is THE American Dream. We work with many first time home-buyers; and it truly is a dream come true for them.
7. **Independence** - For many homeowners, one of the greatest freedoms is acquired through home ownership. They can get rid of their landlord and are no longer surrounded by neighbors in an apartment with thin walls. The freedom to do whatever they wish with their homes is a big incentive for many new homeowners.
8. **Leverage** - At the current interest rates, you can put your money to work somewhere else. These days you can still purchase a home for as little as 3.5% down.
9. **Why rent when you can own?** The real cost of renting at \$700 per month with 6% rental increase per year means you will pay \$110,719 over 10 years. Just think, you could almost pay off a home for that amount!
10. **Because you get to work with us!**

5 BUYING TIPS

When Purchasing a Home

These 5 buying tips will save you time, money, and headaches.

1. **Get Pre-Qualified** – before you can seriously consider purchasing a home, it's important to know exactly how much you can afford. This can be the scariest part of the buying process for some. It's perfectly natural to be nervous, but we can put you in touch with someone you can trust to help get you pre-qualified.
2. **Always Think Resale** – In the US, due to the mobility of our economy, the length of ownership is about 5 to 7 years. This is important to keep in mind when looking for your next home. For instance, homes backing up to a busy street or railroad sell for less and take longer to sell than other homes in the neighborhood.
3. **Aesthetics Can Be Changed** – flooring, light fixtures, plumbing, paint colors and wallpaper can all be changed. Don't let the lime green wallpaper turn you off of your potential dream home. Things like lot size, location, floorplan and square footage cannot be changed.
4. **Don't WAIT!** – too often, we have seen home buyers fall in love with a property, wait a few days to make a decision because they are nervous, and the home that they fell in love with SOLD! If you love the home, don't wait for someone else to live in YOUR home – be prepared to write an offer!
5. **Compare Sales** – to determine the best price to offer, or to know if the asking price is correct, we look at the recent sales of similar homes, called "comparable sales." Comparable sales are recent sales of homes that compare closely to the one you are looking to purchase, usually sold in the past year. Specifically, you want to compare prices of homes that are similar style (ranch or two story), square footage, garage spaces, number of bedrooms and baths, lot size, etc.

Contact me today for a free Buyer's Consultation. We will discuss your needs and wants and put together a plan of action for your next home.

10 CRITICAL QUESTIONS

Ask an Agent Before You Buy

Buying a home is one of, if not the biggest, financial decision you will make in the next 5 years. How will you ensure that the real estate agent you choose has the knowledge and expertise to help?

Unfortunately, many people choose a real estate professional based on the idea that all real estate agents are basically the same. They sign with the first agent to come along, only to realize too late that they should have "shopped around."

The following questions are designed to help you avoid that mistake by equipping you with what to look for when selecting an agent to represent you.

First, start by asking friends, acquaintances and/or family for the names of real estate agents they know. Once you have compiled a list of names referred to you based upon a great experience, use this guide to help you determine which agent is the best for YOU.

Here are the questions you should ask each agent:

1. ***Can you send me some information about yourself?***
Look for professionalism and consistency. What are their professional accomplishments?
2. ***How do you approach your work?***
Look for a businessperson that has a strategy and a team to work with.
3. ***How many homes have you closed in the past year?***
Look for an agent who is active in your area and at the top of their industry. Part-time agents are simply unable to keep up with the ever-changing demands of the market. A good rule of thumb is a minimum of 10-15 transactions. Why settle for less?
4. ***How long have you been in business?***
Longevity in the industry does not always mean success. However, look for an agent that has been in the business for a minimum of three years. The fall-out ratio for agents in the business less than 3 years is over 80%. While experience is important, accomplishments are more important. How many homes have they sold in the area you are looking?

5. ***Do you have a personal assistant or other support staff working for you?***

Most top agents employ (out of their own pocket) an assistant or marketing staff. It is imperative that the agent has support in order to take care of the details of the transaction. How can your agent be actively showing homes to clients and working on the details of your closing at the same time? Things will fall through the cracks and that could cause critical problems for you.

6. ***What will you do to keep me informed?***

Do you want daily or weekly reports from your agent? Will the agent be able to meet these expectations? Determine how much communication you want, and then find an agent who will give you the attention and time you want and deserve.

7. ***Can you provide me with further resources I may need?***

The best agents have built strong relationships with their networks and can often get expedient service for you should a crunch or problem arise, whether it be a contractor, inspector, loan officer or handyman.

8. ***Can you give me some references from other clients you have worked with?***

Don't be afraid to ask for references. An agent who provides raving fan service and is proud of their work will be happy to provide references. Look at their ratings and reviews on sites like Zillow, Facebook and Google.

9. ***How available are you?***

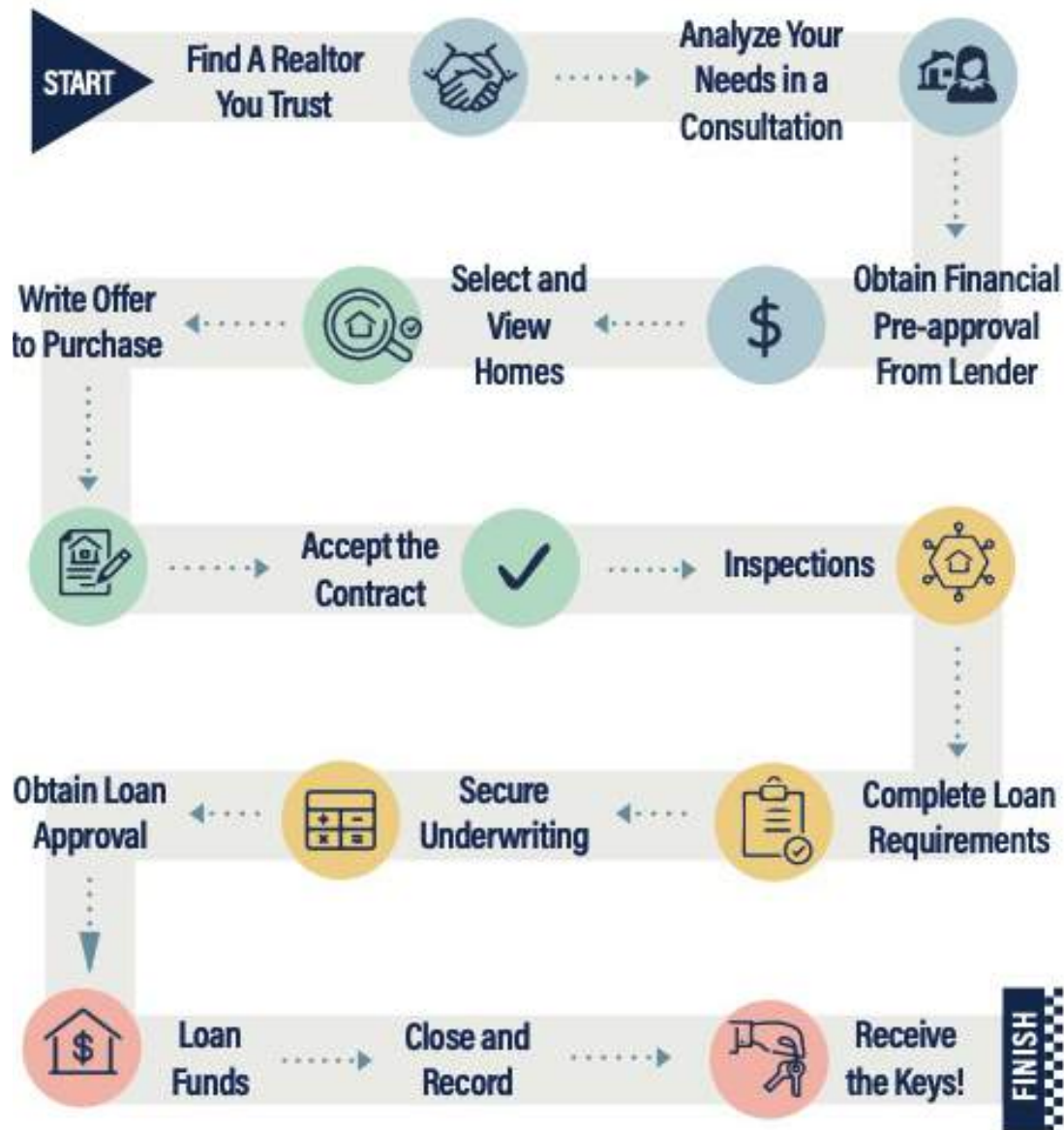
What is the best way for me to get in touch with you? Do you text? What if I have questions after hours? What about an emergency? You should know exactly how to get through to your agent or assistant.

10. ***Are you a fiduciary? And how will you represent my best interests?***

Absolutely do not hire someone that you don't believe will represent YOUR best interests at all times. Have your agent give you examples of how they represent their client. Remember that finding the home is the easy part, true representation begins when you sign a contract and continues through negotiation and closing. Ask around for horror stories and you will find that they don't involve the home search BUT after the contract was signed!

The Buying PROCESS

Buying a home is much more than just finding a home, it is a process. From Start to finish, we will see you through



You will need to consider the following up-front costs in order to determine if you have the appropriate cash reserves to get started:

- Earnest money – typically 1% of sales price - the amount of earnest money is negotiable and varies with the value of the property
- Inspection fee - \$400 - \$800
- Appraisal - \$425-500

THE PRE-QUALIFICATION & Pre-approval Processes

Now that you know you want to buy a house; how do you know how much you can afford and if you can qualify for a loan? The way to get started is to go through the pre-qualification and pre-approval process with a lending specialist.

Pre-Qualification versus Pre-Approval

1. **Pre-Qualification** is how much money a bank will lend you based on your income, assets, and debts. Pre-Qualification is typically done over the phone with a lending specialist. This is the first step to get started in the buying process. The lending specialist will do a minimal credit review over the phone which means discussing your credit background. When you begin the Pre-Approval process the lending specialist will actually check your credit but during Pre-Qualification they will simply gather basic information regarding your financial and credit situation.
2. **Pre-Approval** is a more formal process and includes completing a loan application on-line and providing documentation regarding income and assets. During the Pre-Approval process the lending specialist will ask for authorization to check credit in order to analyze debt ratios. Pre-Approval is typically done when you start looking for houses with a real estate agent or prior to writing an offer.

What Factors Affect What I Can Afford?

There are three factors that affect how much you can afford when you decide you would like to buy a home.

1. The down payment - do you have enough liquid cash to make a down payment?
2. Your ability to qualify for a loan - as mentioned earlier this is determined during the Pre-Qualification & Pre-Approval Process
3. The associated closing costs on your home.

How Much is My Down Payment?

Most loans today require a down payment between 3.0% to 20%. Contrary to what many people think, there are still loans that have lower down payment requirements depending on the type and terms of the loan. Keep in mind, if you are able to come up with 20-25% down you will eliminate mortgage insurance.

THE PRE-QUALIFICATION & Pre-approval Processes

How Much are Closing Costs?

You will be required to pay fees for acquiring the loan and other closing costs. These fees must be paid in full at the closing unless you are able to include them in your financing. Typically, closing costs will range between 3-6% of your mortgage loan.

What Does My Monthly Mortgage Payment Include?

Most lenders require that your monthly payment range between 29-36% of your gross monthly income. Your mortgage payment to the lender includes the following:

- The principal on the loan (**P**)
- The interest on the loan (**I**)
- Property taxes (**T**)
- The homeowner's insurance (**I**)

This is what we call **PITI** and your total monthly PITI and all debt (from installments to revolving charge accounts) should range between 36-45% of your gross monthly income. These key factors determine your ability to secure a home loan: Credit, Assets, Income and Debt Ratios.

HOW MUCH HOME

Can You Afford?

Use the following chart to determine your monthly principal and interest payments at various interest rates for either a 15 or 30-year term:

Interest Rate Factors Per \$1,000					
Interest Rates	Term 15 Years	Term 30 Years	Interest Rates	Term 15 Years	Term 30 Years
3 ½	7.15	4.49	7 ¾	9.41	7.16
3 ¾	7.28	4.64	8	9.56	7.34
4	7.40	4.77	8	9.70	7.51
4 ¼	7.52	4.92	8 ½	9.85	7.69
4 ½	7.65	5.07	8 ¾	9.99	7.87
4 ¾	7.78	5.22	9	10.1	8.05
5	7.91	5.37	9	10.29	8.23
5 ¼	8.04	5.52	9 ½	10.44	8.41
5 ½	8.17	5.68	9 ¾	10.59	8.59
5 ¾	8.30	5.84	10	10.75	8.77
6	8.44	6.00	10	10.90	8.96
6 ¼	8.57	6.16	10 ½	11.05	9.15
6 ½	8.71	6.32	10 ¾	11.21	9.33
6 ¾	8.85	6.48	11	11.36	9.52
7	8.99	6.65	11	11.52	9.71
7 ¼	9.13	6.82	11 ½	11.68	9.90
7 ½	9.27	6.99	11 ¾	11.84	10.09

1. Find the appropriate interest rate from the chart above.
2. Look across the column to the appropriate term to determine your interest rate factor.
3. Multiply the interest rate factor by your loan amount in \$1,000s.

Example:

- Interest rate = 4 ¼
- Desired term = 30 years
- Interest rate factor per \$1,000 = 4.92
- Mortgage = \$200,000
- Monthly Principal & Interest = \$984 (4.92 x 200)

Add your monthly insurance premium and your property tax to your principal and interest to determine your total monthly payment.

The above information is provided as a guide. We strongly recommend that you contact our lending specialist to determine exactly how much you can afford.

LOW RATES = More Buying Power

In 2020, interest rates are historically low!

As interest rates change, a buyer's purchasing power can be dramatically impacted. The chart below shows the monthly principal and interest payment based on the loan amount and starting rate.

Example #1



Note that a \$200,000 home mortgage, with a rate of 3.25% is the **same monthly payment** as a \$177,000 home with a rate of 4.25% — \$870!



Information included on this graphic is for informational purposes only and not a commitment to a loan. Information is provided to assist Your Estate professionals only and is not an offer to extend consumer credit. Rates and programs are subject to change. Offers are subject to property and credit approval. Program and other restrictions may apply. For Equal Housing Lender: NMLS ID #1000 - 1023 (See Equal Housing Lender: NMLS ID #1000 - 1023)

Powered By MBS Highway

Loan and monthly payment buying power is used for informational purposes only and is not a commitment to a loan. Rates expressed only not to be evaluated at this time. This document should not be used as a basis for investment or any other financial decision. Your credit may vary. This is not a recommendation, promise, representation, or assurance concerning the level of service you may experience. For additional product details and rate information, please contact your lender directly. APR of 3.500%, assumes a 3.250% single fixed interest rate. Assuming \$10,000 is held in escrow for PMI. Monthly principal and interest payment based on a fully amortizing fixed rate loan of \$200,000 with 360 monthly payments at the assumed single interest rate. Lender to determine actual interest rate. Please note: actual interest rate, payment, and monthly payment may or may not include a nonrecourse PMI fee, if applicable your payment may be higher.

BUYING Power

Example #2

Loan Amount
\$400,000

Rate (APR)
3.25%
(3.30%)

Monthly Payment
\$1,740

Rate →	Your Rate	3.375%	3.5%	3.625%	3.75%	3.875%	MBA Forecast
↑ Price	3.25%	3.375%	3.5%	3.625%	3.75%	3.875%	4.25%
\$400k	\$1,740	\$1,768	\$1,796	\$1,824	\$1,852	\$1,880	\$1,967
\$394k		\$1,740					
\$388k			\$1,740				
\$382k				\$1,740			
\$376k					\$1,740		
\$370k						\$1,740	
\$354k							\$1,740

Note that a \$400,000 home mortgage, with a rate of 3.25% is the **same monthly payment** as a \$354,000 home with a rate of 4.25% — \$1,740!

Consider This!

Lower Interest Rates mean More Buying Power or more money in your pocket

1. You can **buy more home for the same money**. Or..
2. You can refinance the home you're in and **pay less per month**

LOAN APPLICATION Checklist

Most lenders will have you go online to apply in order to gain pre-approval. Following is the information you need to provide during the loan application process (these documents are usually uploaded to the lending specialist through a secured link):

General

- Non-expired Government ID and Social Security Number
- Name and complete address for past 2 years of residence

Income

- Employment history, including names, addresses, phone numbers for the past 2 years.
- Copies of your most recent pay stubs and W-2 forms (past 2 years).
- Verification of other income (social security, child support, retirement).
- Copies of signed tax returns including all schedules (past 2 years).
- Social Security & Pension Award letters.
- If you have rental property income: Copies of all signed lease agreements.

Assets

- Copies of all bank statements from checking/savings accounts (past 2 months).
- CD certificates and statements for retirement accounts (most recent 2 months or quarterly statement).
- Gift funds will need gift letter of proof of gift.

Creditors

- Credit cards (current balances and monthly payments).
- Installment loans (car, student, etc.).
- Mortgage loans (property address, lender with address, account numbers, monthly payment and balance owed on all properties presently owned or sold within the last 2 years). Bring proof of sale for properties sold.
- Childcare expense/support (name, address, phone number). [VA loans only]

Other

- Bankruptcy – bring discharge and schedule of creditors.
- Adverse credit – bring letters of explanation.
- Divorce – bring your Divorce Decrees, property settlements, quitclaim deeds, modifications, etc.
- VA only – bring Form DD214 and Certificate of Eligibility.
- Retires – bring retirement and/or Social Security Award Letter.



Tip: Many lenders now that have apps that allow you to apply for a loan, run your own mortgage calculations and send documents.

10 COMMANDMENTS

When Applying for a Real Estate Loan

Last but not least, these are important rules to follow to ensure a smooth loan process.

1. Thou shalt not change jobs, become self-employed or quit your job.
2. Thou shalt not buy a car, truck or van (or you may be living in it)!
3. Thou shalt not use charge cards excessively or let your accounts fall behind.
4. Thou shalt not spend money you have set aside for closing.
5. Thou shalt not omit debts or liabilities from your loan application.
6. Thou shalt not buy furniture.
7. Thou shalt not originate any inquiries into your credit.
8. Thou shalt not make large deposits without first checking with your loan officer.
9. Thou shalt not change bank accounts.
10. Thou shalt not co-sign a loan for anyone.

FREQUENTLY

Asked questions

What price range should I be searching in?

I recommend searching at or below your maximum budget. In order to be competitive in multiple offer situations, you need to look comfortably below your maximum budget in order to have the ability to bid over the list price.

How quickly should I see a home I am interested in?

I recommend reaching out to me immediately to learn a specific home's showing instructions. Together we can decide on the most convenient time for all parties.

Can I send you homes I find online?

Yes. Finding a home is a collaborative process. As one of my services to you, I set up alerts directly from the Multiple Listing Service (MLS). You can respond to those or send me links from your favorite home search sites.

Who pays your commission?

Sellers typically pay an agent's commission.

How long is a typical escrow?

A closing timeframe is typically for 7-45 days from the date that an offer is accepted, depending upon if you are obtaining financing or paying cash. 30 days is most common in our market.

What are my closing costs going to be?

Closing costs are determined by your loan. I will work with your lender to help get an accurate estimated closing cost amount. This allows you to plan accordingly.

Do you have a list of recommended inspectors and vendors?

Yes! I have many favorite inspectors and home service providers that I look forward to sharing with you.

How much should I budget for inspection?

I recommend budgeting \$500 for your inspection.

FREQUENTLY Asked questions

How will you tell me about the newest homes available?

The MLS website provides up-to-date information for every home on the Market. I constantly check the new on market list so i can be on the lookout for my clients. I will get you this information right away, the way that is most convenient for you: by phone, Email or text.

Will you inform me of homes from all real estate companies?

I will keep you informed of all homes. I want to help you find your dream home, which means I need to stay on top of every home that's available on the market.

Can you help me find new construction homes?

Yes, I can work with most builders and get you the information you need to make a decision. On your visits with the builder, I will accompany you. By using my services with a new construction home purchase, you will receive the services I offer, as well as those provided by the builder, **at no additional cost**. It is important that I accompany you on your initial visit to the developer's office in order for me to assist you.

How does for sale by owner work?

Homeowners trying to sell their home without agent representation are usually doing so in the Hopes of saving the listing agent commission, but most understand they will pay for buyer agent commission. If you see a FSBO and want the advantages of my services, let me contact the owner for you and make an appointment. Most of the time the homeowner will work with an agent even though their home is not listed, since the agent is introducing a potential buyer to their property. This is no cost to you and ensures you are fairly represented and receive all of the disclosures and documentation throughout the sale.

Once my offer is accepted, what should I do?

Getting the lender the needed documentation and signed authorizations should be at the top of your priority list. The quicker you are, the smoother the process will be for all parties. Your lender will get you a loan estimate and will go over it with you in detail so there are no surprises at closing. Celebrate and focus on moving into your new home! Plan for inspections, complete all documents in a timely manner and ask any questions that you have. You will want to schedule your move, pack items, and notify businesses of your address change. I will provide you with a moving checklist to help you remember all the details.

Our Commitment to You

OUR MISSION

This is your life, your dreams, your memories, your place. We will help you find it.

Our team is committed to building exceptional relationships and listening deeply to your dreams so we can make them come true. We will try and make this fun!

We will focus on you. We will help you find your place.

For the Lowest Price Possible

We negotiate on your behalf and get your home under contract for less than other agents.

In the Shortest Amount of Time

The ability to have smooth transactions that close on time or early is our competitive advantage. When buying a home there are a lot of unknowns, we don't want the closing date to be one of them. We strive to close at the time it's most convenient for you.

With the Least Hassle

We want your biggest concern during the home purchasing process to be that you were expecting it to be harder. We strive to provide first class customer service, and a "let us handle that for you" approach to the sale. We've refined our process so that nothing falls through the cracks.

AGENT & Buyer Commitment

BUYING EXPERIENCE

The experience of buying a home is exciting but can also be exhausting. The first step is to choose and stay with the right agent. Buying a home is more than a business transaction, it's personal. Our team is committed to our one-on-one relationship, reducing time and energy, and bringing back the fun in buying a home.

Services We Provide

- Help you find the perfect home for you; in the neighborhood you want, at the right price
- Keep you updated on the most current listings via email
- Private showings with myself or someone from our team
- Find off-market properties (once a neighborhood has been chosen, we can canvas that neighborhood to find you your next home)
- Preview listings on your behalf
- Provide resources to you - preferred lenders, inspectors, home repair referrals, school information, neighborhood information
- Provide weekly communication
- Navigate the offer process, showing you how to create an offer that will win
- Assist and coordinate with needed inspections
- Communicate aspects of transactions between parties during transaction
- Be available anytime to answer questions before, during and after transaction

WHO We Are

Our story

In late 2018, Kelly Richert, and her husband Jon launched Graham & Grace Realty – named after their 2 kids middle names. Born and raised in St. Louis, we are a family company built on core values of service, excellence and most importantly, treating people right.

We believe in helping our clients. It's that simple!

Our passion is people. We know how important it is to have someone you like, know and trust guiding you every step of the way. We are committed. We are here for you. We are excited to be taking this journey with you!

We want to make real estate personal

We want to make something that can be stressful and complicated, easy and streamlined. We are a local company based in O'Fallon, MO. We live locally, shop locally, and support local people and businesses. This is our home. We know this market inside and out and we are excited to share our expertise with you.

If you are buying or selling a home, please consider Graham & Grace to be your Realtor. We would love to help you in the next chapter of your story.

Thank you!

Kelly & Jon Richert

