Financial Literacy for Homebuyers

Gaining a clear understanding of your financial situation and establishing a plan for success can help you to be more financially secure homeowners in the long run. Here are some important financial literacy concepts to help you prepare for the homebuying journey.

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>>> **Budget** There are many factors that go into calculating your budget for a new home, including but not limited to, your income, credit, and savings.

>>> **Closing** A closing is typically a meeting with you, the closing agent, and an agent of the seller to sign the final paperwork and approve disbursement of funds to complete the home sale.

>>> **Closing Costs** Closing costs may run from 2% to 6% of the loan cost, and may include fees for the appraisal, origination, title insurance and more. You will be given a breakdown of all the costs you are responsible for at least three days prior to closing.

>>> **Credit Score** Your credit store and profile may play a key role in determining if you qualify for a mortgage and what financing products you may be eligible for.

>>> **Downpayment** A downpayment is a percentage of the home's purchase price that you pay upfront. Having a downpayment is often the biggest hurdle to homeownership.

>>> **Downpayment Assistance** There may be assistance programs and grants available to help cover downpayment and closing costs, especially for first-time homebuyers.

>>> **Escrow** Some mortgages may use an escrow account, where part of your monthly loan payment is deposited to cover costs like real estate taxes and insurance premiums.

>>> **Financing** Most people require mortgage financing to purchase a home. A trusted financial institution can help you find the right financing option for your situation.

>>> **Home Equity** Home equity is the difference between the amount you owe on a mortgage and what the home is worth.

>>> **Home Price** Like interest rates, home prices have increased in recent years, but they can vary depending on the location and property characteristics. A real estate agent can help you understand more about the home prices in your desired area.

>>> **Homeowners Insurance** As a part of your loan eligibility criteria, you may be required to purchase homeowners insurance.

>>> **Monthly Mortgage Payment** The typical monthly mortgage payment may include principle, interest, taxes, insurance, and mortgage insurance if you put less than 20% down.

>>> **Mortgage Application** Once you have an offer accepted, you will need to complete your lender's mortgage loan application form and provide all the documentation required if you need financing to purchase the home.

>>> **Mortgage Insurance** Depending on your credit, there may be loan options available with as little as a 3% downpayment with mortgage insurance.

>>> **Mortgage Interest Rates** Rates have increased in the last few years. Your interest rate can have an impact on the monthly payment and the total cost over the life of the loan to own a home.

>>> **Offer Negotiation** Your real estate agent should help you navigate the offer process and negotiate with the seller. You may be required to pay an earnest money deposit with your offer.

>>> **Pre-Qualification** A pre-qualification letter estimates the value of how much money you may qualify to borrow from a particular lender (note: the amount you are qualified to borrow may not be the same as, and may be more than, what you can afford).

>>> **Seller Concessions** Sometimes, sellers will agree to pay a portion of the buyer's costs to help with the sale; these are, known as seller concessions.

>>> **Title Insurance** Title insurance protects you against covered title defects, such as a previous owner's debt, forgeries, liens, and other claims of ownership. The cost can vary depending on state regulations and the title company's fees.

>>> **Unexpected Expenses** It's no secret that homeownership can come with repairs and many potential expenses. It's wise to reserve some savings for unexpected costs.

To learn more, scan the QR code to check out our Homebuyers Resources page!

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