



# Military Home Buyer's Guide

*Create a positive home buying experience by educating yourself every step of the way!*

- **6 Questions to Ask Before Buying**
- **8 Step Home Buying Process**
- **7 Strategies to Improve Your Credit Score**
- **VA Loan 101**
- **VA Appraisal Explained**
- **How to Find a Mortgage Lender**
- **How To Find a Trustworthy Agent**
- **Budgeting for a New Home**
- **Dream Home Comparison Checklist**



# 6 Questions to Ask Yourself Before Buying

## 1. Am I financially ready to buy?



**765 - 815**

Your FICO Score Estimate is:



**Financial readiness is one of the key factors in deciding whether it's time to buy instead renting.**

- Will your credit score qualify you for a mortgage?
- Do you have enough money for a down payment, closing costs, and any additional out of pocket expenses at the time of closing?
- Do you have enough savings to handle unexpected expenses, like needing to replace a big appliance or the furnace?
- Does your monthly budget have room for mortgage payments with taxes, PMI, insurance, utilities, and other incidentals, in addition to non-housing expenses (food, car payments, insurance, etc.)?
- How much debt do you currently have? Anything above 50% debt-to-income ratio hurts your mortgage rate and you end up paying more.

## 2. Do I know my credit score?

Before you start contacting lenders for rate quotes / qualification, you should know your credit score. Credit scores range from 300-850 [850 being pristine and 300 not fundable]. But be cautious when checking your credit score. Every time a creditor [or potential creditor] pulls your credit, it reduces your score. Check out page 5 for tips to improve your credit score!

## 3. Do I know the market where I want to buy?

Often, military members are making the decision to rent or buy from a distance, prior to moving into the area. No matter where you are relocating from, it is essential to thoroughly research local housing market conditions. Take into consideration average home prices, pricing trends, average days on market [especially if you are hoping to sell when you PCS], local schools and trending neighborhoods. Your best bet is to find a military-friendly realtor that is familiar with the local market and can help you navigate the special needs/circumstances of inbound or local military and their families. Check out page 9 for tips for finding good realtors.

## 4. What is my time line?

We all know that there is very little absolute certainty for military service members. In many cases though, you should have some idea of how long you will be staying in the area. If you are PCSing for a school and can reasonably expect to PCS again within 12 to 18 months, then it might not be the right time to buy. On the other hand, if your assignment is expected to last two or more years then buying may be worth considering.

“The process itself was a cakewalk because we were prepared, avoided companies that made us feel “small” [we went through 3 realtors and tried out 2 finance companies for info]. We bought via VA.

Casey

## 5. How much house can I buy?

As a general rule of thumb, you don't want to spend more than 40% of your monthly income on housing, including mortgage, taxes, insurance, and maintenance. If these expenses are projected to be above 40%, then you may want to save up, pay down bills and work towards home ownership in the future. Be sure to consult with a mortgage lender before making the final decision. You can talk to a mortgage lender about your options without them pulling your credit or making any commitment. On page 8, read more about finding a reputable lender.

## 6. What are my financing options?

You have a range of options for financing the purchase of your home. The best option for you will depend on your specific financial situation.

- VA Loan - a mortgage loan guaranteed by the U.S. Department of Veterans Affairs but issued by qualified lenders, like banks or mortgage companies. For active duty or veterans that qualify, the VA loan can make it easier for you to purchase a home. You may only hold one VA loan at a time.
- Conventional financing - fixed-rate mortgages that are not insured or guaranteed by the federal government and will require a down payment, excellent credit score, and verified income above a lender determined level.
- FHA - mortgage loan offered by the Federal Housing Administration with lower down payment requirements, credit score, and upfront closing costs. There is a limit to the amount that can be loaned.
- Owner backed loans.
- Loan assumptions.

BRUSH UP ON HOME BUYING TERMS

<http://bit.ly/homebuyinglanguage>

# 8 Steps to Buying a Home

Your first step is to make sure that you are financially set to get a mortgage loan by ensuring your credit report is accurate, pulling your credit report from the 3 major reporting bureaus, and addressing any negative reports. Pull your credit report via [www.myfico.com](http://www.myfico.com) or any other online option before calling a lender.

## Get pre-approved

Professional realtors know the ins and outs of their area and can help you to match your wants and needs with the different neighborhoods around your installation. While it is possible to work through a Seller's Agent that your favorite house may be listed by, it is smart to ensure you have your own realtor to safeguard your investment. See page 9 for more info.

## Search for your home

With the input of your realtor, weigh your options in the market against your desired mortgage amount, long term goals (to sell or rent it if you move), current needs and future plans. Schedule your inspection so you can address any concerns.

## Make an offer

The key points to a smooth process while obtaining funding: Respond immediately • Minimize money movement • Keep a quiet credit report • Keep communication open.

## Close and move in

1

## Get pre-qualified

2

Find an experienced lender who can walk you through the financing process and provide you with a qualifying loan amount - if you are approved. If you are considering using your VA Loan benefit, you must obtain a Certificate of Eligibility for a VA Loan. See page 6 for more info.

3

## Find a realtor

4

Take a deep breath and start by identifying your baseline needs [see comparison list on page 12]. How many bedrooms and bathrooms? Is a particular school district desired? Write it all down to focus.

5

## Choose a home

6

Work with your real estate agent to determine the appropriate amount for your initial offer based on comparable home sales, market value, condition of the home, and your closing date.

7

## Finalize funding

8

The mortgage process generally takes 30 to 60 days from the time of offer to closing. During this process, an attorney, real estate agent, or title company will help negotiate and draft the contract - a legally binding contract between the buyer and seller describing all the terms of the transaction.

# 7 Strategies for Improving Your Credit Score

## 1 Check your credit report

It's important to not just know your score, but you should know everything that is on your credit report to ensure that all of the information is accurate.



## 2 Dispute any incorrect information

Military personnel can be vulnerable to slow pays due to Tricare or accounts left open when you PCS. Address any incorrect reports with the lender.



## 3 Pay down your credit cards

Improving your debt-to-credit ratio by paying down or paying off your credit cards can make a big difference in your credit score. Ideally, your balance on revolving lines of credit will be 10% or lower when you apply for a mortgage.



## 4 Ask for goodwill adjustments

If you have an account with old late or missed payments, ask that the lender "re age" the account after 12 or so on time payments. That may erase negative items. Always make requests in writing.



## 5 Ask for a credit increase

If you have credit cards in good standing that haven't had a limit increase, ask for one! This is a simple way to improve to debt to credit ratio to reach that 10% balance!



## 6 Don't automatically close old accounts

It can be tempting to close accounts that you don't use regularly, but it may negatively impact your credit score. Having a long term history with a lender is valuable and closing the card will impact your debt to available credit ratio.



## 7 Keep accounts active

Although you want to keep your balance on your credit cards low, they do need to be active accounts. Set up small, monthly bills to be paid with your credit card to build more credit history.

# VA LOAN 101

## By guaranteeing a portion of the loan you seek through mortgage companies and banks, the VA can help you attain better rates.

How do you qualify? The answer is specific to each category of person. While detailed information can be found on the US Department of Veterans Affairs (<http://www.benefits.va.gov/homeloans/>) website, AHRN.com has put together this overview to give you a basic snapshot of the VA loan process to get you started:

1. A good credit rating
2. Income - mortgage payment should be 25% of your income maximum
3. Certificate of Eligibility - tells your lender that you are a candidate for a VA-backed loan

## GET PRE-QUALIFIED

While it's good to pull your credit report from the 3 major reporting bureaus to get your credit score and address any negative reports, mortgage companies typically pull the data from their own sources and the scores may be slightly different. They will use the middle score of all 3.



## GETTING PRE-APPROVAL & CERTIFICATE OF ELIGIBILITY

Based on a review of your income, job, score, and debt situation, if approved, your lender will provide you with a qualifying loan amount and if you use your VA benefit, your Certificate of Eligibility.

To get your Certificate of Eligibility [COE], you must have been discharged for reasons other than dishonor and meet service requirements, or meet certain service requirements for Active Duty personnel. If you do not meet the minimum service requirements, you may still be eligible if you were discharged due to [1] hardship, [2] the convenience of the government, [3] reduction-

in-force, [4] certain medical conditions, or [5] a service-connected disability.

There are slightly different lists of forms needed, depending on your service category - which can be found online at <http://www.benefits.va.gov/homeloans>. After gathering all the documents you need, you can apply for a COE online through the E-benefits portal, by mail, or through your own lender, most of whom have the Web LGY system. If you have sufficient data on the VA system, working with a knowledgeable VA Lender from the beginning can eliminate much of the guess work.

**START YOUR LENDER AND RATE SEARCH @ <http://bit.ly/ahrn-valoaninfo>**

## VA APPRAISAL EXPLAINED

After you've found the perfect home, you'll be ready for a VA home loan appraisal.



The VA home loan appraisal is part of the process of obtaining VA-backed funding for your mortgage. It is paid for by you [the buyer] and costs about \$500. In short, it is a

thorough look at your potential home's condition and value that focuses on health and safety concerns. If any aspect of the home is flagged, you will need to renegotiate the contract to remedy those issues before the funds for your loan will be released.

## WHO DOES THE VA APPRAISAL?

After your appraisal is ordered, your regional VA loan center will randomly assign a VA approved appraiser to your case. This is to ensure that the appraiser is objective and has no interest in the transaction and the appraised value will be fair and unbiased.

## ENSURE COMPLIANCE WITH PROPERTY REQUIREMENTS

These screening guides are intended to insure that VA loan applicants are purchasing move-in ready homes that offer a safe environment.

## Things to watch for while searching for homes:

- Functional mechanical systems: Electrical and plumbing systems must be in good repair and have some usable life remaining.
  - Adequate heating: The home's heating system must be safe, adequate, and able to maintain a temperature of at least 50 degrees Fahrenheit to prevent pipes from freezing.
  - Adequate roofing: The roof must be in good condition and without any major defects.
  - Dry basements/crawl spaces: Basement leaks must be corrected for VA home loan approval.
  - Free of hazards and defective conditions: A toxic landfill on the property or poor workmanship can eliminate homes from VA loan approval. Faulty support beams, exposed wires, or stairs without proper railings can also be considered hazardous by a VA appraiser.
  - No wood-destroying insects: If you live in a pest-prone area, the VA may require a termite inspection. Properties with termite infestations must be treated and re-evaluated.
  - No lead-based paint: Properties built before 1978 must be inspected for lead-based paint. Surfaces with cracked or chipped lead-based paint must be scraped and repainted, covered with drywall, or totally removed.
- Only completed sales can be used as comps for the purposes of the VA appraisal. Sales listings, contract offers and unsettled sales don't qualify.
  - Comps should be based on similar property type sales in the area, i.e. square footage, bedroom/bathroom count, land, etc.
  - Comps should have been sold less than 12 months ago and more than six months ago.
  - Comps should be within a mile to subject property to be appraised.

## ESTABLISH PROPERTY VALUES



To establish the value of a property (how much the lender should loan towards the purchase), appraisers will look at the sales of comparable homes to arrive at a fair market value for your property.

Then, value is adjusted depending on the specific features of the subject property.

- VA appraisers must use a “sales comparison” approach rather than a “cost-based” approach in calculating appraisal value. The cost of building or replacing the home has no bearing on the appraisal value.

## THE RESULTS

When your appraisal is complete, your lender will be provided with a comprehensive appraisal report. The report should include a variety of details about your property, including maps, photos and sketches of each floor. The most significant part of the report explains the value calculation and lists any repairs needed to bring the home up to VA standards.

## APPRAISAL VS. INSPECTION

It is important to understand that the VA appraisal process and the home inspection that is part of your contract are different. There is no national standard for what is included in a home sale inspection. It's important to keep your emotions in check until after the home inspection. For older homes especially, an inspection before you fall in love with a house can prevent heartache. The inspector should provide an assessment of the home's heating and cooling system, electrical system, plumbing, walls, ceilings, flooring, foundation, roofing, drainage, and basement. Many of these things are not readily apparent by walking through a cleaned up home for sale. Even if there are issues that crop up, they may be fixable and the cost included in the transaction or home price reduced. A home inspection done before the VA Appraisal will have you more prepared for any potential issues.





## How to Find and Select Reputable Mortgage Lenders

**If you've never purchased a home before, the loan process can be overwhelming. It's important to select professionals who understand the VA loan process inside out and make you feel at ease. Don't be afraid to talk to 3-4 different lenders, asking various questions and getting a comfort level with them. In the end, you need someone you can trust, who provides straightforward information, is responsive, and who puts you at ease.**



### Finding A Mortgage Lender

1. Ask friends who live at your desired location about a trusted mortgage broker referral. Then research that person online to make sure they don't have any glaring negative reviews.
2. Through a partnership with VA Loan Captain, AHRN.com offers pre-screened VA Loan Lenders. Start your lender search at <http://bit.ly/ahrn-valoaninfo>

DOWNLOAD FREE ULTIMATE VA LOAN GUIDE

<https://ahrn.valoancaptain.com>





## How to Find and Interview Trustworthy Real Estate Agents

**Buying a home is an important financial decision! Among the many decisions you'll make, choosing who to work with during your search can not be underestimated! A realtor that understands your needs and the particular challenges of military life can be a powerful ally in creating a positive home buying experience. Look for a realtor who answers these questions with your specific concerns in mind: schools, proximity to military services, etc.**

### Finding A Real Estate Agent

1. Ask friends who live at your desired location about a trusted real estate agent referral. Then research that person online to make sure they don't have any glaring negative reviews.
2. Through a partnership with with VA Loan Captain, AHRN.com offers pre-screened, military friendly realtors. Start your real estate professional search at <http://bit.ly/ahrn-findarealtor>

- ▶ **How much will your service cost and how is it determined?**
- ▶ **How has this market changed in the last 5 years? Do you have reports?**
- ▶ **What do you expect of me to make this go smoothly?**
- ▶ **What advice do you have for a buyer planning to use a VA loan?**



## Budgeting for Your New Home

**Planning for your new home includes more than school districts and floor plans. Sitting down to budget now will protect your financial readiness down the road!**

As you evaluate your home search price range, there is more to consider than just the initial purchase price of your home. We've included this spreadsheet to help you consider a number of calculations in your budget.

From a down payment, closing costs, your interest rate, homeowner's insurance, private mortgage insurance, maintenance and taxes, it is vital to get a complete picture of the financial obligations involved in buying a home. Identifying which neighborhoods have higher utilities, where flood insurance might need to be purchased, and even where additional rooms might require the purchase

of new furniture, should all be built into your new home budget!

When you begin your search for a new home, many of these figures will be general estimates - which is a great place to start! You can work with your realtor and lender to fill in the gaps and get more specific.



# Your New Home Budget

Planning	\$	NOTES
Estimated Utilities		
<b>TOTAL HOUSEHOLD INCOME</b>		Use <a href="http://AHRN.com">AHRN.com</a> 's BAH feature to find your BAH!
<b>MORTGAGE INFORMATION</b>		
MORTGAGE INFORMATION	\$	NOTES
Purchase Price		
Down Payment		
Closing Costs (if any)		
Length of Mortgage (in years)		
Annual Mortgage Interest Rate %		
Annual Property Tax		
Annual Homeowners Insurance		
Annual Private Mortgage Insurance (PMI)		(PMI is only required IF you have less than 20% equity)
Annual Maintenance		A solid estimate is 1.5% of the purchase price
<b>MONTHLY PAYMENT</b>		
MONTHLY PAYMENT	\$	NOTES
Mortgage Principal Payment		
Monthly Property Tax		Annual Property Tax divided into 12 payments
Homeowner's Insurance		Annual Homeowners Insurance divided between 12 payments
Private Mortgage Insurance		
Maintenance		
<b>TOTAL MONTHLY PAYMENT</b>		<b>TOTAL OF THIS SECTION + UTILITIES % SHOULD NOT EXCEED 40% OF TOTAL HOUSEHOLD INCOME</b>
<b>TOTAL HOUSEHOLD INCOME MINUS TOTAL MO PAYMENT</b>		<b>ARE YOU NEGATIVE OR POSITIVE?</b>



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LENDER SEARCH @  
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START HOME &  
REALTOR SEARCH @  
<http://bit.ly/ahrn-findarealtor>

POST YOUR RENTAL  
AD FREE @  
[www.ahrn.com](http://www.ahrn.com)

# Homes For Sale Comparison Sheet

	Choice #1	Choice #2	Choice #3	Choice #4
Address				
City				
Rate Location				

Finances (\$\$)				
Asking Price				
Deposit Price				
Estimated Yearly Taxes				
Monthly Mortgage Rate				
Estimated Monthly Tax Rate				
Square Footage				
Price/Square Foot				
HOA Monthly Fees (if applicable)				
Estimated Monthly Utilities				
Total Estimated Home Costs				
Total Monthly Est. Cost				

Home Features				
<b># Days on the Market (DOM)</b>				
Built in (Year)				
Lot Size				
# of Stories				
# of Rooms				
# of Bedrooms				
# of Bathrooms				
Floor Plan Style				
Basement				
Attic				
Home Features				
Heat (Electric/Gas/Oil)				
Air-condition				
Electrical Wiring				

# Homes For Sale Comparison Sheet

	Choice #1	Choice #2	Choice #3	Choice #4
Plumbing				
Kitchen				
Stove (Electric/Gas)				
Master Living Space				
Floors				
Patio/Deck				
Alarm System				
Fireplaces				
Ceilings				
Windows				
Fence				
Sprinkler System				
Trees				
Landscaped				
Gutters				
Exterior Design				
Roof				
Cable/Internet				
Garage				
Additional Buildings				

Neighborhood Features				
Neighborhood Name				
Surrounding Homes				
Nearest Grocery				
Nearest Gas Station				
Post Office				
Traffic				
Community Pool and/or Park				
<b>HOA</b>				
<b>HOA Restrictions</b>				