ESSENTIAL FIRST-TIME HOMEBUYER

ROADMAP

REAL ESTATE + HOME LOANS

ONE EXPERT. EVERY STEP.

The Essential First-Time Homebuyer Roadmap

A Step-by-Step Guide to Pre-Approval, Best Loan Options, House Hunting, Negotiation Strategies, and Closing on Your First Home

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Introduction

Greeting, my aspiring first-time homeowners! I am writing this book in a way that maybe has never been attempted before. Because (deep down in places I don't talk about at parties) virtually all of the books on this subject are way too academic, tedious and don't give you the insider 'pearls' needed to prepare, locate, negotiate and finance your first home.

Until now.

You are going to actually have fun (not "Hey, this feels like Mardi Gras!" but more like 'this isn't so bad' fun) absorbing and putting to use all the information, strategies, tips and real-world examples you will find chapter after chapter in this vital book.

And how is this possible?

Because I am Patrick Kevin Fagan, the Mortgage Patriot! With over 20 years of 'front lines' experience assisting First-Time Home Buyers (FTHBs henceforth) with BOTH their mortgage financing challenges AND providing savvy real estate agent tactics. I am dual licensed to do just that - all which sets me and this book apart from the pack.

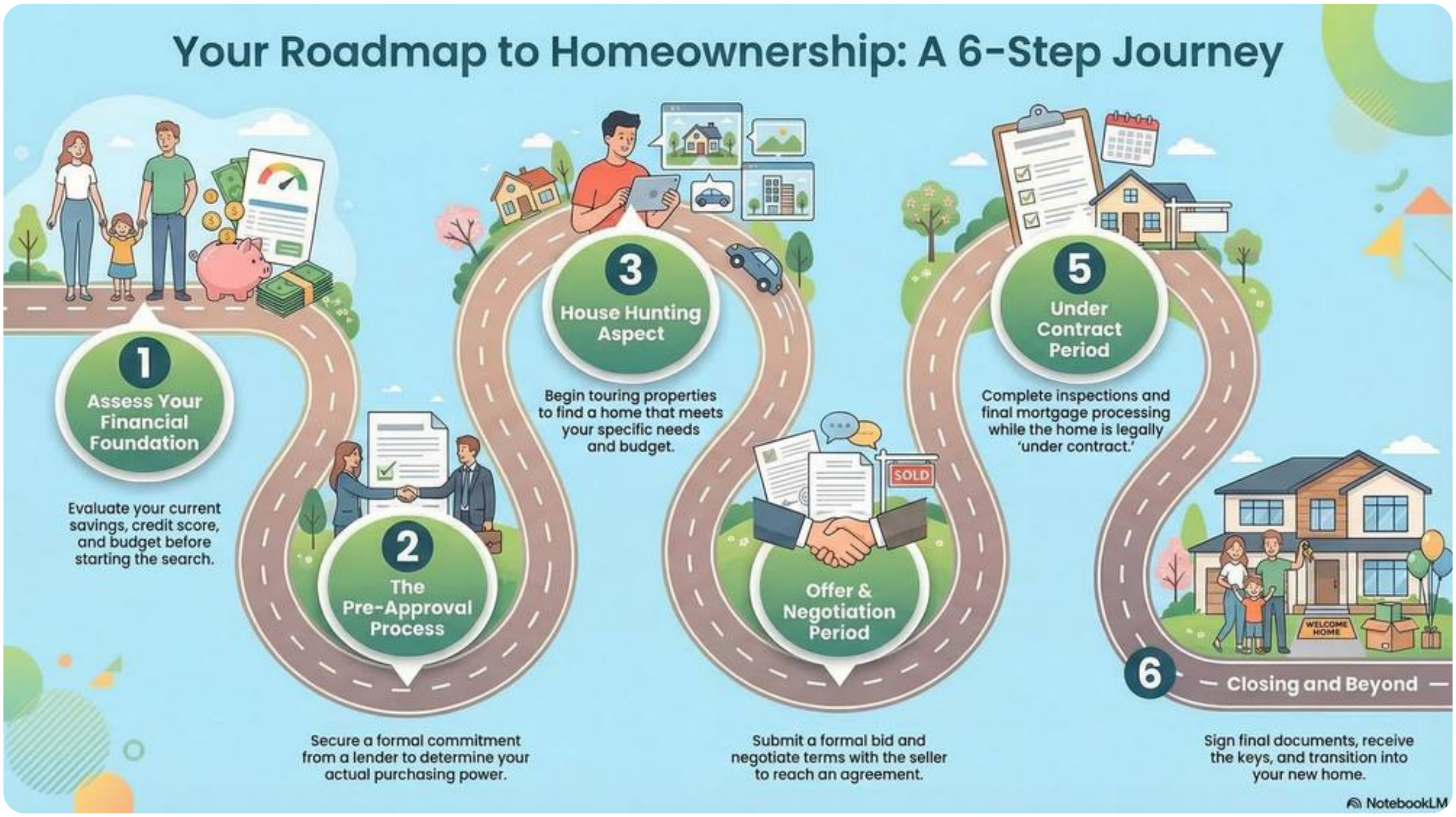
You are going to be hand-held ALL the way through this 'Essential First-Time Homebuyer Roadmap' book packed with:

- 32 "Patriot Pro Tips' to save you thousands, avoid disasters and give best practices.
- 28 'Reality Bites' of personal perspectives to separate theory from practice
- 5 'Nerd Alerts' in case you want to skip the technical mortgage jargon
- 4 'True Life' Closings describing real borrower challenges you might share.
- A 'Step-By-Step' punchout list of all the necessary actions you must take to succeed.

These 'pearls' above will be alongside the meaningful homebuyer roadmap that now lays in full view before you just below.

There is an ideal path for you and your family in order to most effectively identify, finance and close on your first home and this book outlines that path. So let's stop wasting time 'cuz I am already tired of seeing my own words.

Behold the 30,000 foot view of the pathway and the players... (cue the majestic and inspiring music score)



So there it is...Live it, Love it, Learn it! This book is dedicated to breaking down and exploring each one of these milestones along your homebuying journey.

Now as you travel along the roadmap, the more and more confident homeowner-to-be you will become. And as you will very soon understand, there are a cast of characters to whom you will be introduced. These are all the professionals involved in your journey. And like most good epic efforts, your journey will come across mostly good characters but some not so good ones that are working in other's best interest, not yours. Let's look at them now to get acquainted.

Cast of Characters and How to View Them

Lawrence the Loan Officer - Vital to you. He is going to help you understand how much home you can afford, help you estimate your total monthly mortgage payment, try and shop for your best interest rate and loan program and estimate how much money you will be paying at closing. His job is to make the entire loan effort smooth and semi-enjoyable. **We love Lawrence.**

Rochelle the Real Estate Agent - Vital to you as well. Rochelle will be instrumental in helping you find the home that checks all your boxes, helps structure the offer with Larry, negotiates the counter offers from the seller and assists with hiccups along the way once under contract. **We like Rochelle.**

The Listing Agent - The Listing Agent shall go nameless because she is mud to us. Ok, maybe not mud but just understand that the Listing Agent has a fiduciary duty to the sellers of the home to represent the seller's best interests NOT yours. So Rochelle will be nice to her but wisely not trust her fully. Luckily you will not have conversations with the sellers or the listing agent directly. The protocol is always agent to agent conversations on behalf of you and sellers. **Boo!...listing agent... Boo!**

Terry the Title/Escrow Officer - Terry will be receiving your earnest money deposit, creating title insurance to ensure a clean title history for you and providing a nice office to sit and eat cookies while you sign all the closing paperwork. **We like Terry** as long as she communicates well with us.

Ivan the Inspector - Ivan is tasked with inspecting the home once you go under contract. He will produce a 50-70 page report covering all the major systems of your home and take more pictures than a freshmen girl at her first cotillion. **Sellers hate Ivan but we love Ivan** and will tell you why when we get to that part of the journey.

Aaron the Appraiser - Aaron is charged with producing the most significant report in the whole process. His appraisal report will dictate whether the home is worth at least the purchase price everyone has contractually bound themselves to. **Sellers are not that happy about Aaron but we like him a lot.**

Sam the Surveyor - Sam is not used all the time. If an existing survey is available and not too many years old then he will not show up. When he does he is a necessary added fee but does provide a vital record of exactly how your home-to-be sits on the parcel and identifies other important facts about the property. You won't talk with him. **We put up with Sam** because he's just doing his job.

Ursula the Underwriter - Ursula is like the 'Wizard of Oz'. Her word is feared because she can make demands on you as the borrower that can seem pointless and frivolous. But you have no choice but to try to follow through on her requests because she has the power to grant the final loan approval or not. You will never speak to her. Only Larry the Loan Officer or Patricia the Processor will. **We don't like Ursula at all** but because she wields all the power, we never tell her that.

Patricia the Processor - Patricia is the right-hand man of Larry. She is generally cheerful and tries to help you with document retrieval. She occasionally will try to talk to the Wizard of Oz on your behalf. So be very nice as well to Patricia. She cannot answer the larger questions you may have about the loan but can always tell you how things are moving and what is still required. **We love Patricia.**

Ignacio the Insurance Agent - Ignacio tries to shop across insurance carriers to bring you the best deal for the required hazard insurance to protect the home once under your name. If he communicates smoothly with you and presents good quotes, **we like Ignacio. But if his quotes prove bad, Ignacio is dead to us.**

Now you know the roadmap and the professionals you will need or meet along the way. So let's kick off this rodeo (little Texas lingo there) and get into your first phase of the journey.

CHAPTER 1

Assessing Your Financial Foundation

Your preparation for buying a home is foundational. And simply put, this milestone is just a self-discovery phase of knowing the 3 main areas of your financial profile—your household income and debts, your credit scores and your available liquid reserves for closing costs.

No one builds a beautiful custom home in the Texas Hill Country on a cracked, uneven foundation. If the foundation is weak, it doesn't matter how nice the kitchen is—eventually, the walls are going to crack and the doors won't shut.

Your financial foundation is exactly the same. **So it is imperative you have some knowledge of these 3 aspects of your financial profile for your own understanding and so you can relay this information to Larry the Loan Officer in the next milestone of your journey.**

For a lot of you, this is the scariest part. Peeling back the curtain on your debts and credit scores feels like a trip to the dentist when you haven't flossed in six months. But here's a '**pearl**' for you: **Financial preparation isn't about restricting you; it's about equipping you for success.** By the time we're done with this chapter and the next, you'll have a foundation so solid even Ursula the Underwriter can't find a crack in it.

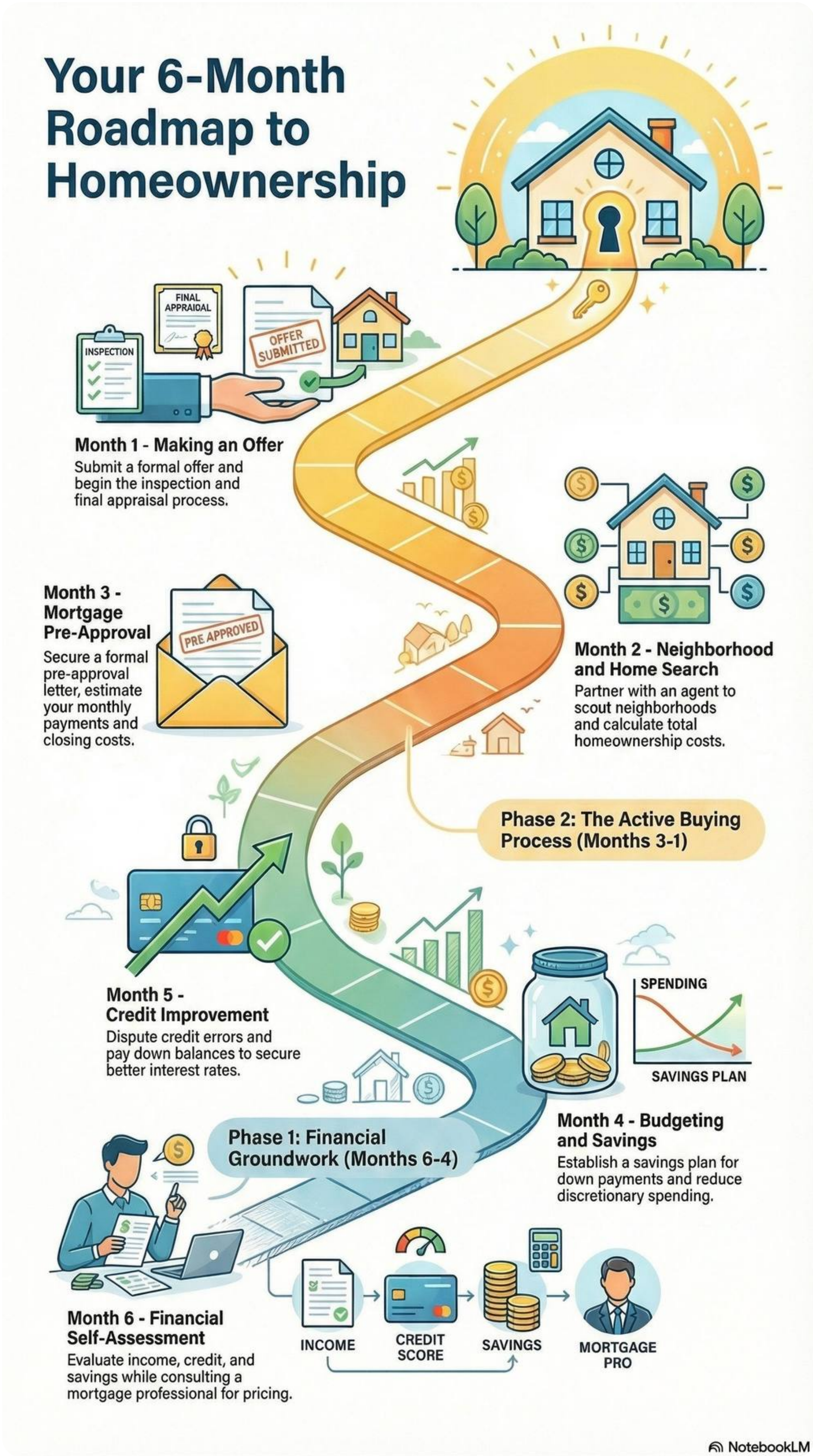
And speaking of time, here is a recommended timeline of when to start this self-assessment relative to when you think you would want to be nestled cozy in your first home.

The 6-Month Countdown: Your Tactical Timeline

Purchasing your first home is a process that rewards the planners and punishes the procrastinators. **Ideally, you want to start this self-discovery phase about 6 months before your**

current lease expires. This gives you plenty of runway to fix credit dings, build bank savings, and let the loan officer work his magic without the stress of a looming move-out date.

- **6 Months Out: Self-Assessment Phase** Look at the household income, pull those FICO scores we talked about, and count every penny in your "liquid" accounts. Grab those reports from all three bureaus and see if there are any ghosts from your past haunting your file. Reach out to Lawrence now just to get a "ballpark" price range so you aren't house hunting in the $500k range with a $350k budget.
- **5 Months Out: Credit Improvement Phase** If your credit report looks like a battlefield, start the repairs now. Dispute the errors, pay down the credit card balances, and for the love of everything holy, **do not open a new Best Buy card.** Small wins here in month five turn into thousands of dollars saved in interest rates later.
- **4 Months Out: Budgeting & Savings Phase** Time to build the wall around your cash.If your liquid reserves are looking a little sparse, create a plan to save a specific amount every single month. Cut the discretionary spending -maybe skip the fancy dinners and extre-curicular spending for the remaining months - focus on paying down small debts.


Your 6-Month Roadmap to Homeownership
INSPECTION
FINAL APPRAISAL
OFFER SUBMITTED
Month 1 - Making an Offer
Submit a formal offer and begin the inspection and final appraisal process.
Month 3 - Mortgage Pre-Approval
PRE APPROVED
Secure a formal pre-approval letter, estimate your monthly payments and closing costs.
Month 2 - Neighborhood and Home Search
Partner with an agent to scout neighborhoods and calculate total homeownership costs.
Phase 2: The Active Buying Process (Months 3-1)
Month 5 - Credit Improvement
Dispute credit errors and pay down balances to secure better interest rates.
SPENDING
SAVINGS PLAN
Month 4 - Budgeting and Savings
Establish a savings plan for down payments and reduce discretionary spending.
Phase 1: Financial Groundwork (Months 6-4)
Month 6 - Financial Self-Assessment
Evaluate income, credit, and savings while consulting a mortgage professional for pricing.
INCOME
CREDIT SCORE
SAVINGS
MORTGAGE PRO
NotebookLM

- **3 Months Out: Mortgage Prep Phase** By now, your credit should be rising and your savings habit should be locked in. Start gathering the financial documents requested by your loan officer. This is the ideal time to hand them over to Lawrence and Patricia the Processor so they can confirm your purchasing power and kill any remaining "what-ifs" before you hit the streets.

- **2 Months Out: Pre-Approval & Searching Phase** With your "Golden Ticket" (Pre-Approval) in hand, you and Rochelle the Real Estate agent start hitting the pavement. You'll be looking at neighborhoods and touring homes with the confidence of someone who already knows the bank has their back. This is also when you start looking at the real costs like Texas property taxes and insurance quotes.

- **1 Month Out: Making an Offer Phase** You found it. You love it. Now you strike. With your financing lined up and your team behind you, you submit that offer. If it's accepted, we move into the "under contract" whirlwind: inspections, appraisals, and the final march toward the closing table.

PATRIOT PRO TIP

If you are moving and will be changing jobs simultaneously, it is vital **you stay in the same category of IRS work status. NEVER change to self-employed *even a year before* attempting to buy your first home. Ursula will slap you into next week and your employment history will be deemed to start on the day of your self-employed or contractor origination date. You will lack the necessary history. If you are W2 hourly, stay W2 hourly. If you are salaried, do not switch to W2 hourly otherwise the 2 yr required history will start over at the new hourly rate beginning.**

REALITY BITES

In theory, you can prep, engage the professionals and get under contract **within 30 days. But to avoid expensive mistakes, start at 6 months out, work the plan outlined in this book and walk into your first home with a smile, not sweat-filled remorse.**

Now that you know how far in advance to start, let's explore the three financial areas we mentioned earlier.

Your Household Income and Debts: How Much Do You Make? What do You Owe?

Your Monthly Income - Let's tackle this one first. Regarding income, it seems like this

would be an easy question but the answer depends on the **manner** in which you (and/or your spouse or partner) get paid. It can get a little tricky if you are not both salaried individuals. Here are the three ways you can get paid and how Ursula the Underwriter will look at this:

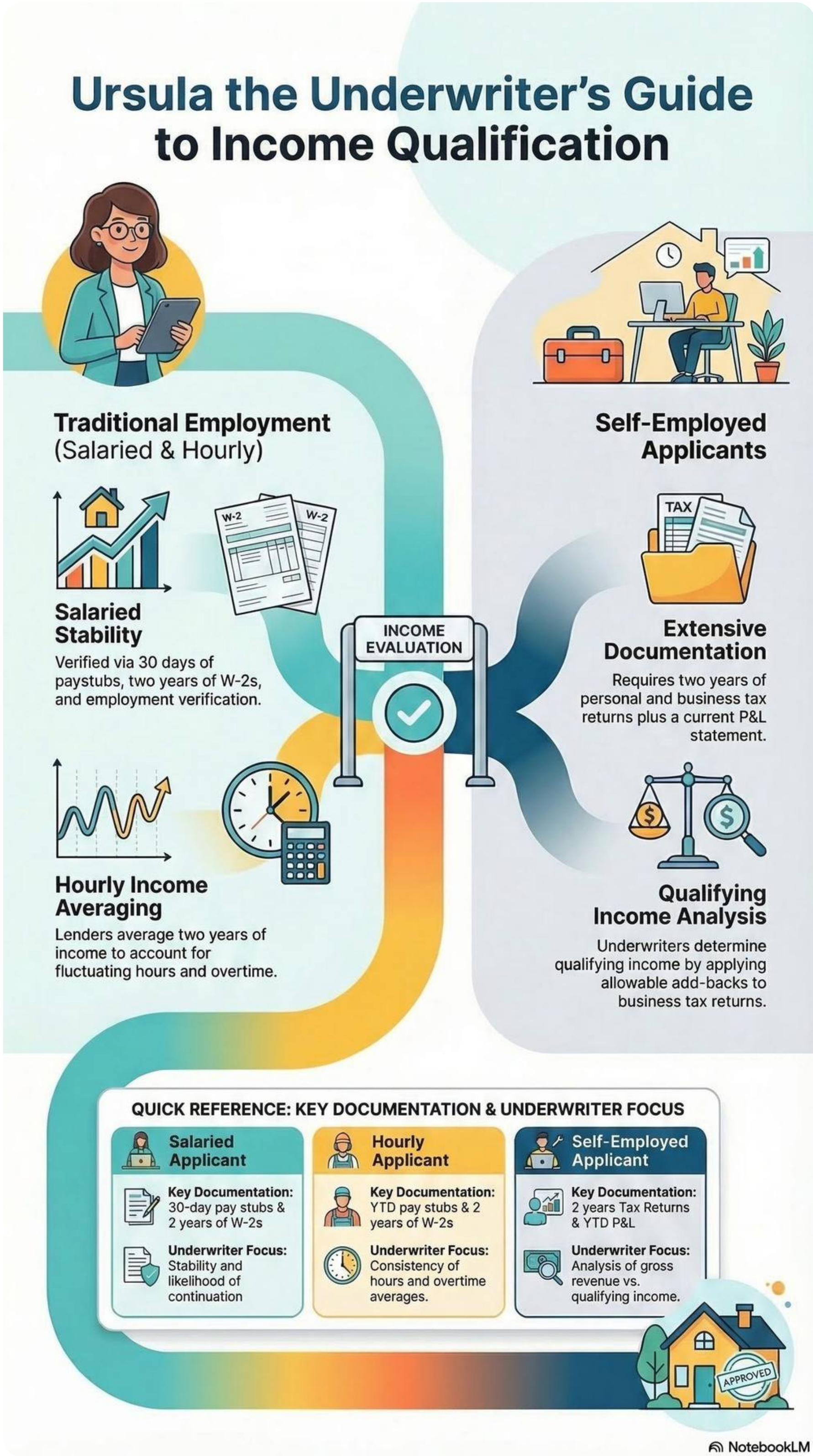
- Salaried employees
- Hourly wage employees
- Self-employed workers - 1099 contractor and business owners

When evaluating a household's income for mortgage qualification, lenders follow standard underwriting guidelines. However, the documentation required and the method used to calculate income can vary depending on how that income is earned.

If both spouses are salaried employees, the process is typically the most straightforward. Ursula will verify stable income using **recent pay stubs (usually covering the most recent 30 days)** and **W-2 forms from the past two years**. In some cases, the lender may also request **the most recent two years of federal tax returns**. Ursula confirms the stated annual salary and performs a **verification of employment (VOE)** with the employer to ensure the income is stable and likely to continue.

If both spouses are hourly W-2 employees, lenders must confirm not only the hourly wage but also the consistency of hours worked. Underwriters typically review **pay stubs showing year-to-date earnings** along with **two years of W-2 forms**. Because hours, overtime, and bonuses may vary, lenders often **average the prior two years of income** to establish a reliable qualifying amount.

If both spouses are self-employed, the documentation requirements are more extensive because income can fluctuate from year to year. Ursula will generally require **two years of personal federal tax returns**, **two years of business tax returns (if applicable)**, and a **year-to-date profit and loss statement**. Lenders may also request **recent business bank statements**. The underwriter then analyzes the tax returns and allowable add-backs to determine the borrower's **qualifying income**, which may differ from the business's gross revenue.



Get it? Got it. Good!

PATRIOT PROTIP

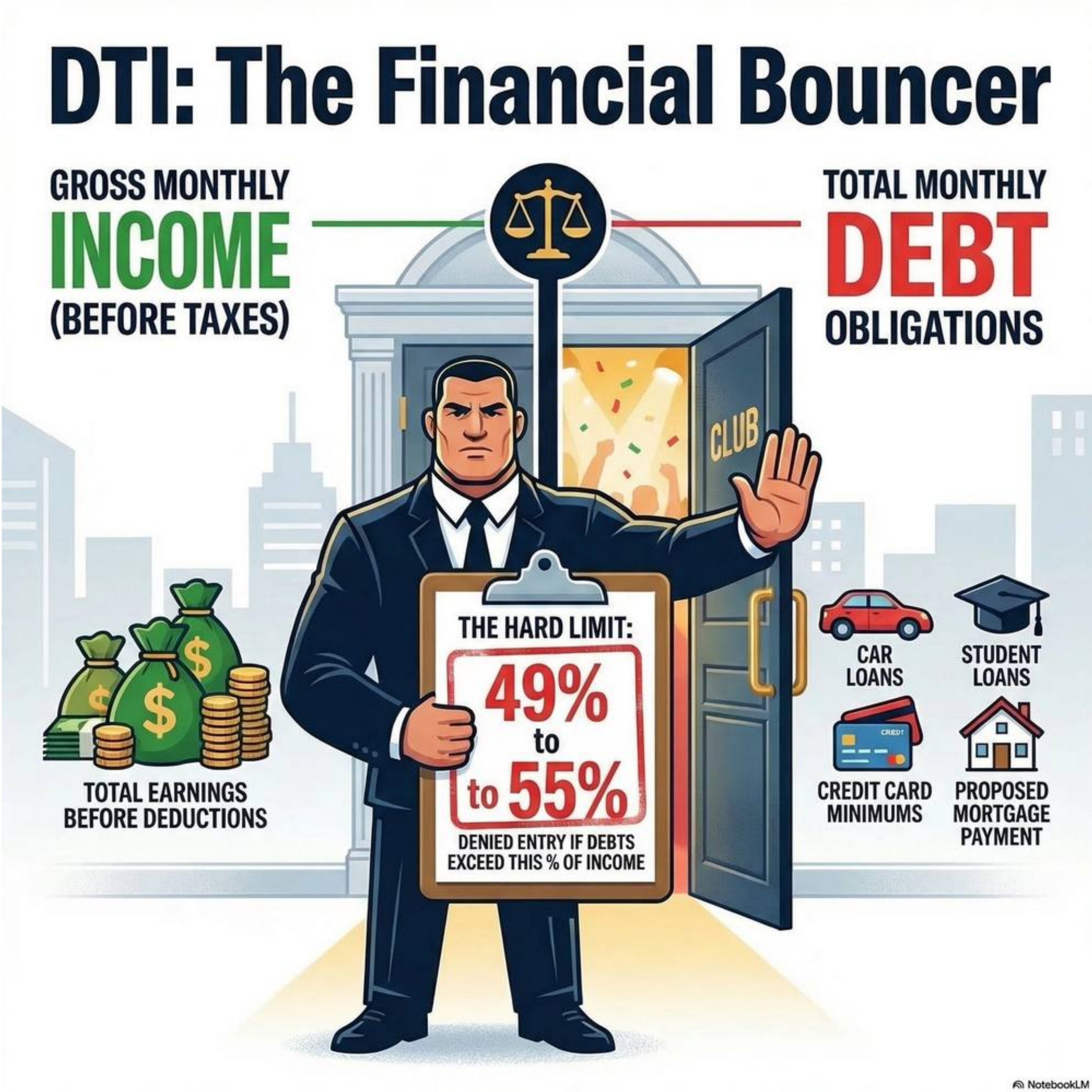
Lawrence the Loan Officer could work some magic here. If one of you is **an hourly worker with a lot of overtime, he won't just look at last week's check. He will average that overtime over two years to maximize your "official" income. This can be the difference between qualifying for a tiny condo or that house with the big backyard you actually want. So make sure to deliver your last paystub for the year to show breakouts.**

REALITY BITES

If a portion of the income your household makes is paid in cash, **unfortunately Ursula cannot accept this. I have worked with a buyer who was getting paid half in hourly wages and half in cash from his employer. We had to get a letter from the employer and then track all the cash deposits into his bank to get credit for it all. Lucky.**

Your Monthly Debt - Now let's address your debt obligations. Not every monthly payment gets included into your 'Debt-to-Income' that Ursula the Underwriter will evaluate. Utility payments, car and home insurance payments and phone payments are not included into this calculation. But it will include installment payments (auto or other), student loans payments and revolving credit payments.

The DTI Ratio: Meet the Bouncer - If the credit score is the gatekeeper, the **Debt-to-Income (DTI) Ratio** is the bouncer at the door. He's standing there with a clipboard, comparing two things: how much money you make (Gross Income Monthly) versus how much you are legally obligated to pay.(Gross credit reported debt)


DTI: The Financial Bouncer
GROSS MONTHLY
INCOME
(BEFORE TAXES)
TOTAL MONTHLY
DEBT
OBLIGATIONS
CLUB
THE HARD LIMIT:
49%
to
55%
DENIED ENTRY IF DEBTS EXCEED THIS % OF INCOME
TOTAL EARNINGS BEFORE DEDUCTIONS
CAR LOANS
STUDENT LOANS
CREDIT CARD MINIMUMS
PROPOSED MORTGAGE PAYMENT
NotebookLM

REALITY BITES

Ursula doesn't care how much you bring home *after* taxes. She looks at your gross income (before Uncle Sam takes his cut). Then she adds up your existing monthly debts *plus* your proposed new mortgage payment. If that total number eats up more than 49% to 55% approximately of your gross income (depending on the loan program), she will signal the bouncer to not let you into the club.

So do the simple math on your situation - take the monthly debt service on your revolving credit + installment payments + new home payment and divide it by your household income. Lawrence the Loan Officer can give you a better idea of this ratio but it helps just to know where you are now. Example: Credit cards = $300/mth; Auto = $450/mth; New Home = $1850 Household Income = $8000 $300+450+1850 = $2,600 / $8,000 = 32.5%

PATRIOT PROTIP

: From the second you finish this sentence until the day you get your **keys, do NOT open any new credit. Don't finance a new truck. Don't buy that sectional sofa on 0% interest. Any new debt—even a small $50 monthly payment—changes your DTI and can literally destroy your loan approval 48 hours before closing. Keep your new purchase appetites in check and your wallet closed.**

Your Credit Score: What are your FICOs?

Now that you have an understanding of your household income and debt levels, let's move to credit scores.

Your credit score is the gatekeeper. It decides if you get the keys and impacts how good an interest rate you get. The lower your FICOs, the higher your rate. So it pays to improve them..

REALITY BITES

The score you see on your phone app is misleading. Before you get **excited by your Credit Karma's score of 682 for you, tap your brakes. Those apps use a model for credit cards and car loans. Mortgage lenders use a much older, much grumpier model that looks at how you handle big, long-term debt. Don't be shocked if Lawrence's credit pull is 20–40 points lower than what your app tells you. It's not you. It's not Larry or Ursula.. It's a proprietary system used by the lenders.**

NERD ALERT

To get a score that actually aligns with what Lawrence sees, you need to prioritize your **FICO Score** over the "VantageScore" (the one Credit Karma loves to show you). Since 90% of top lenders worship at the altar of FICO, your best bet is to go to the source at **myFICO.com**. They have a free version that gives you your FICO Score 8 based on Equifax data. Tools like Capital One's "CreditWise" are great for watching trends, but just know they're usually using that VantageScore 3.0 model—which is about as useful for a mortgage application as a screen door on a submarine.

If you want the full, unvarnished truth, go to **AnnualCreditReport.com**. This is the government-authorized "Big Kahuna" where you can pull your full reports from Equifax, Experian, and TransUnion for free. **It won't give you a three-digit number**, but it gives you the raw data

Lawrence uses to calculate those scores. Checking this weekly allows you to spot errors and dispute them before they artificially suppress your numbers.

PATRIOT PRO TIP

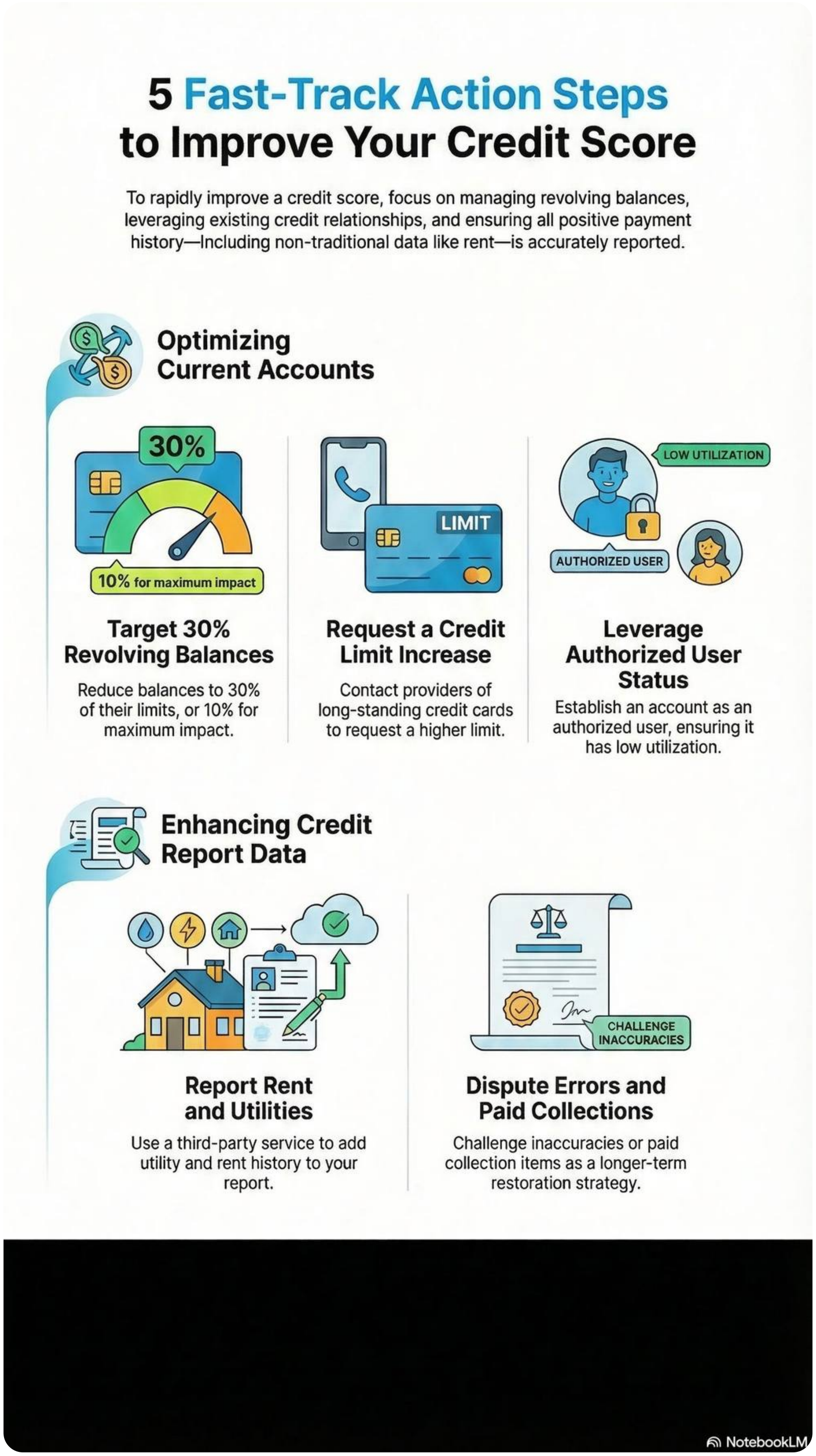
Let me make it easy for you. Contact me and I will run a 'soft-pull' review of your credit. It does NOT impact your scores and does NOT trigger marketing calls from vulture lenders.

How to Improve Your Credit Scores - It's Just Action Steps and Time

I tell all my clients that improving credit scores is actually easy. It is just **action steps** on your part and **the time required to reflect those action steps** at the credit bureaus - Equifax, Experian and TransUnion.

Here is a quick and dirty summary of the top 5 action steps you can take to improve your credit -

1) Reduce the balances on your revolving credit to 30% of its credit limit, 10% if possible. 2) Have a third party service add your rent history and utilities to your credit report. 3) Have an 'Authorized User' account established - make sure it has a low utilization rate. 4) Ask a long-standing credit card relationship to increase your credit limit. 5) Dispute errors and collection items that have been paid already. *Longer strategy.


5 Fast-Track Action Steps
to Improve Your Credit Score
To rapidly improve a credit score, focus on managing revolving balances, leveraging existing credit relationships, and ensuring all positive payment history—Including non-traditional data like rent—is accurately reported.
Optimizing Current Accounts
30%
10% for maximum impact
Target 30% Revolving Balances
Reduce balances to 30% of their limits, or 10% for maximum impact.
LIMIT
Request a Credit Limit Increase
Contact providers of long-standing credit cards to request a higher limit.
LOW UTILIZATION
AUTHORIZED USER
Leverage Authorized User Status
Establish an account as an authorized user, ensuring it has low utilization.
Enhancing Credit Report Data
Report Rent and Utilities
Use a third-party service to add utility and rent history to your report.
CHALLENGE INACCURACIES
Dispute Errors and Paid Collections
Challenge inaccuracies or paid collection items as a longer-term restoration strategy.
NotebookLM

REALITY BITES

Adding rent and utility histories to your credit report is a slam-dunk in raising your scores fast. I do it all the time for my clients and it works every time! Check out these companies to assist you - Esusu, Rental Kharma, Boom, and LevelCredit.

Now some quick "'Do Not Do's" -

1) Do not open any new accounts while you attempt to purchase unless advised. 2) Do not pay off any installment loans even if there are less than 10 payments to go. 3) Do not contest collections that are correct just to try and wipe them off your report. 4) Do not close revolving accounts that are at $0 and you don't intend to use them.

It is not uncommon for you to experience a 30-50 point increase in scores over a 2-4 month period by employing these action steps and avoiding the 'Do Not Do's. So don't fall into a deep emotional funk if your current scores are below 600. The goal if you are below 620 is to get you above 620 for purposes of getting an FHA or Conventional loan. Rest assured - you can get it done with help of a good loan officer and credit repair company if it is more complicated.

PATRIOT PROTIP

If your scores need work, do not initially pay a "credit repair" company **hundreds of dollars to address this. They frequently do more harm than good or take your money and don't do much of anything. As an experienced Loan Officer, I can run a simulator to tell you exactly which card to pay down by exactly how much to legally and quickly boost your score. If it's a bigger mess, I'll give you the action steps to restore yourself to solid credit and give you a name or two of proven credit restoration experts.**

REALITY BITES

Yes, you can theoretically get approved for an FHA loan below 620 but it **just gets harder and why risk it when moving your credit score is not hard once you have identified the action steps involved.**

Your Liquid Assets: Required Reserves and the Seasoning Secret

Now after identifying your full household income, debts and credit scores, you need to get a good understanding of your liquid assets to determine your ability to write a check at closing.

It is crucial to look beyond just your checking account when we're totaling up your "cash to close" abilities. Ursula the Underwriter wants to see your total **reserves**—your financial cushion. **This includes your bank balances, 401(k) or IRA balances, brokerage accounts, and even your crypto wallet.** She wants to know that if life throws you a curveball the month after you move in, you aren't going to immediately default on the loan.

REALITY BITES

Your 401(k) isn't worth what the statement says it is. Because the market is volatile and Uncle Sam takes a bite if you withdraw early, a lender will often only count about 60% of that value. Don't do the math yourself and assume you're richer than you are in Ursula's eyes.

And let's talk about **"mattress money"** or that stack of hundreds you've been tucking away in a safe. To a lender, that money doesn't exist. Because of the **Patriot Act** and strict anti-money laundering laws, every single dollar you use to buy a home must have a paper trail cleaner than a whistle.

PATRIOT PROTIP

If you have significant cash on hand, you must deposit it into a traceable **bank account at least 60 days before you hand your statements to Lawrence the Loan Officer. This is called "seasoning." It lets the funds blend in with your regular balance. If you deposit $10,000 the week before we pull your statements, Ursula will flag it as a "large deposit," and if you can't prove exactly where it came from and explain why it has not been in an institution with a paper trail, you can't use a dime of it.**

Great Job! You have identified your 3 most important aspects of your financial profile -

- Your Household Income and Debts
- Your Credit Scores
- Your Liquid Assets Available for Closing

It's time to bring in the first of our professionals - Lawrence the Loan Officer

Let's head to Chapter 2 and get you Pre-Approved.

CHAPTER 2

The Pre-Approval Process and Your Loan Officer

It is time to engage the first hero in your journey.

In the first chapter, you compiled your financial profile and now understand how an underwriter will look at your income and debt, credit scores and liquid reserves. Now it is time to engage the mortgage loan officer.

And the good news is (if you remember our cast of characters you will be crossing paths during your journey to homeownership) we love Larry the Loan Officer. Because Larry is going to work with you to produce the coveted 'Pre-Approval' letter and answer your six biggest questions.

The pre-approval letter stage is transformative because it converts homeownership from a dream into a defined, achievable plan. Suddenly you are not wondering whether you can buy a home. After your pre-approval is established, you are deciding which one you will buy.

And it is **Lawrence the Loan Officer**'s role, duties, and expertise that will get you there.

This chapter walks you through everything you need to know about the pre-approval process: how to pick a loan officer, how the pre-approval works and answers for you the '6 Big Mortgage Loan Questions' all borrowers have.

"Ok, color me excited, oh great Mortgage Patriot.", you must be thinking "but how do I find a qualified loan officer to start this process?"

I'm glad you asked. Answer—social media research.

REALITY BITES

No longer do you have to go to the big banks like Chase or make calls to the giant, faceless, mortgage institutions like LoanDepot and play by their 'bait and switch' rules. You are now an advanced creature of research and discovery.

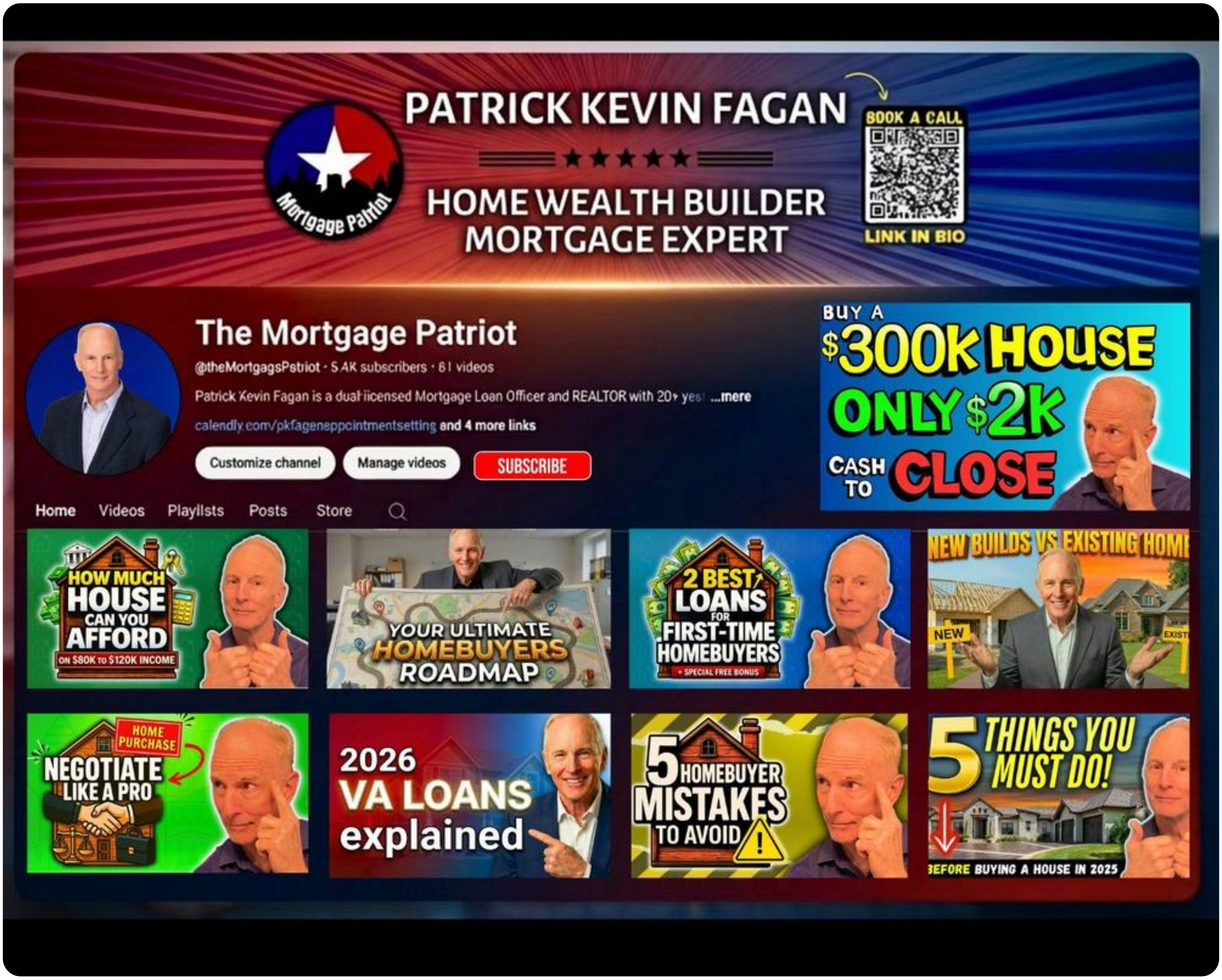
In today's world of information at our fingertips, try this investigative path to find any quality loan officer -

1. First go to **YouTube** and type in a first-time homebuyer topic you are curious about like '**Avoid these 5 Homebuyer Mistakes and Save Thousands**' and look at the different videos. Watch a few to learn. Does the loan officer have an approachable style and are they informative? Is the content relevant and valuable? Can you work with them? 2. Cut over to **Google**, type their name in and see if he or she has good, real and recent Google reviews. 3. And in this day and age, **type them into an AI-engine** and see if there is any information on them there as well.

In fact, let's try it out right now! Here is a good example from a mortgage wizard on YouTube they call The Mortgage Patriot (wait...that's me! OK, too late, let's run with it) and the video link on avoiding mistakes for FTHBs...

- - https://youtu.be/IMDeFP-g27Y?si=eD0DLCjk455dm-d2

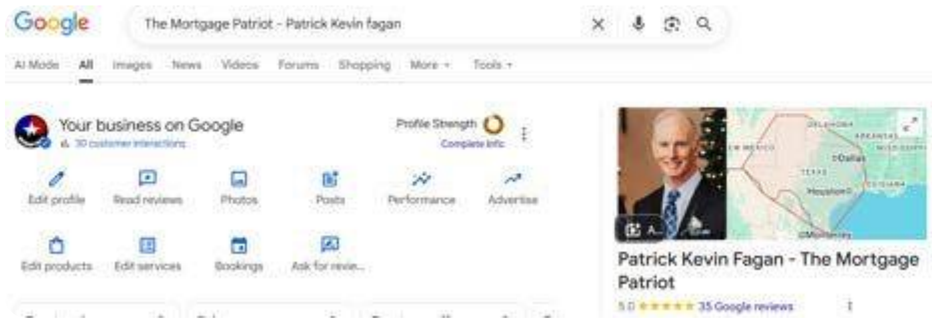
Hmmm...very good content if I say so myself. Let me glance at his YouTube Channel page...



He has over 8,000 subscribers who respected his content enough to hit ‘Subscribe’ and 62 videos of valuable topics mainly dedicated to First-Time Homebuyers like yourself.

Now let’s see if this dude has actual reviews on Google or is he just some weirdo making videos and acting like he has all the answers. You know, does he actually work with individuals?

Here is a picture of his Google Business Page...



OK, so he is for real. Let's look up the last 3 reviews and see what folks said and when they said it. We don't want reviews from 4 years ago, for example. Here we go…

5.0 ★★★★★ (37 reviews)

Reply to reviews | Get more reviews

All Replied Unreplied

Victoria Reyna
2 reviews • 0 photos

★★★★★ 6 weeks ago

Words can't begin to describe how content I am with Kevin and his amazing team! They were highly attentive every step of the way, answering any questions or concerns we may have had. We are incredibly grateful for the opportunity to have worked with them and can't wait to begin our next chapter of life in our new home. Thank you Kevin and Will!

Patrick Kevin Fagan - The Mortgage Patriot
Owner

6 weeks ago

Thanks Victoria. We were so happy to be a part of this transaction for you and your family. God Bless you and may your future be bright and full of joy.

b m
1 review • 0 photos

★★★★★ 6 weeks ago

Kevin and his team were exceptional to work with! He made the home buying process seem like breeze, with his knowledge, expertise and professionalism. We are incredibly happy that he was able to find us the perfect home for our growing family.

Patrick Kevin Fagan - The Mortgage Patriot
Owner

6 weeks ago

Thanks for the very nice comments! It is always fun and rewarding when those that I try to assist are as responsive to lender and title requests as you were.
All the best going forward to you and your great kids!
Kevin

As you can see, here are three stellar 5-Star reviews just in the last few weeks while I have been writing this book for you. (Go over to Google and see that I am not fabricating this)

Now for our last bit of research to solidify our opinion that the Mortgage Patriot is not only cool, but that you want to try and work with him. Let's see what 'Gemini - AI' has to report...

Donald Smith
2 reviews • 0 photos

★★★★★ 7 weeks ago

Patrick Kevin Fagan and Will Fagan were a great help to us in getting financing for our home purchase. They knew exactly what to do and how to do it. They made the complex process much simpler. We highly recommend their service!

Patrick Kevin Fagan - The Mortgage Patriot
Owner

3 weeks ago

Thank you Don. You were a pleasure to work with and I hope you continue to sing and entertain for years to come!

Gemini

The Mortgage Patriot Explained

Who is Patrick Kevin Fagan, the Mortgage Patriot?

Show thinking

Patrick "Kevin" Fagan, widely known online as **The Mortgage Patriot**, is a dual-licensed real estate agent and mortgage professional based right here in Spring Branch, Texas. He operates nationwide, assisting clients with home purchases, financing, and real estate strategies. +1

Here is a breakdown of his professional background and what he does:

Gemini

The Mortgage Patriot Explained

"The Mortgage Patriot" Brand

Fagan runs a popular YouTube channel called **@themortgagepatriot**, where he posts educational content aimed at simplifying the often stressful path to affordable homeownership. His content typically covers:

- **Creative Financing:** Rent-to-own programs, buying a new house before selling an old one, and HUD foreclosure strategies.
- **Cost-Saving Tactics:** How to buy a home with 1% down, negotiate prices, and lower closing costs.
- **Credit & Market Advice:** Tips on raising credit scores quickly, the pros and cons of renting vs. owning, and navigating adjustable-rate mortgages.

Because he is dual-licensed, he often highlights his ability to understand both sides of a real estate transaction—structuring the right loan while also negotiating the right property deal.

Wow! Believe it or not, I have never put my own name into an AI engine before to see what it would say.

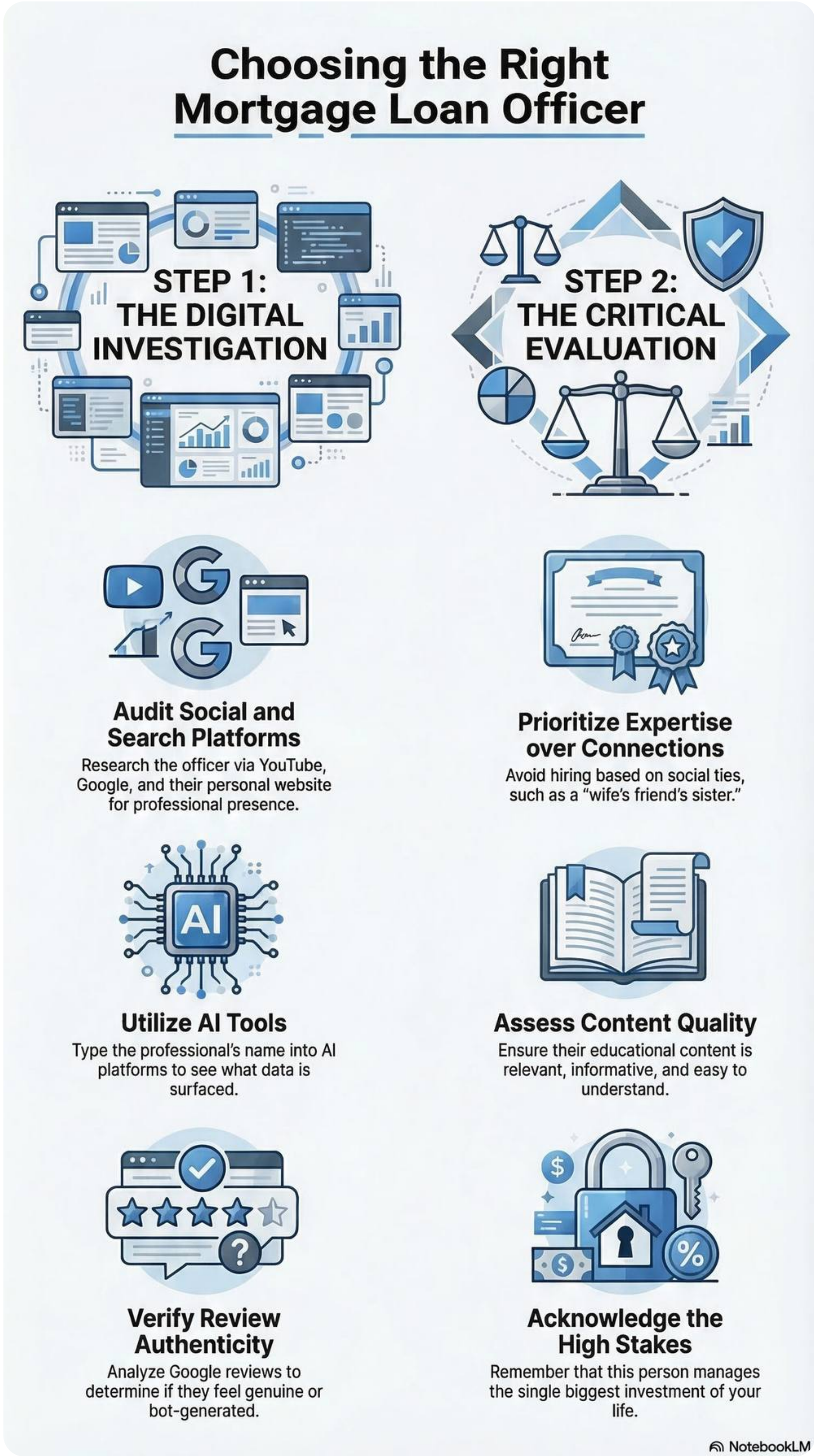
This truly puts the final validating exclamation mark on my credentials and services. Enough said.

PATRIOT PRO TIP

You get the picture now hopefully. This is the new world of how to find **seasoned and qualified professionals for any project or purpose. Search your available social media channel for educational content, client reviews and AI results.**

REALITY BITES

The bottom line is this is not the time to be going with your wife's friend's sister to hope to get good advice. This is the biggest single investment of your freakin' life! Treat it as such.



The Mortgage Pre-Approval Process

Before we break down the '6 Big Mortgage Questions' all borrowers need to have answered, it is important to establish a clear understanding of what the pre-approval process actually is and what is covers.

NERD ALERT

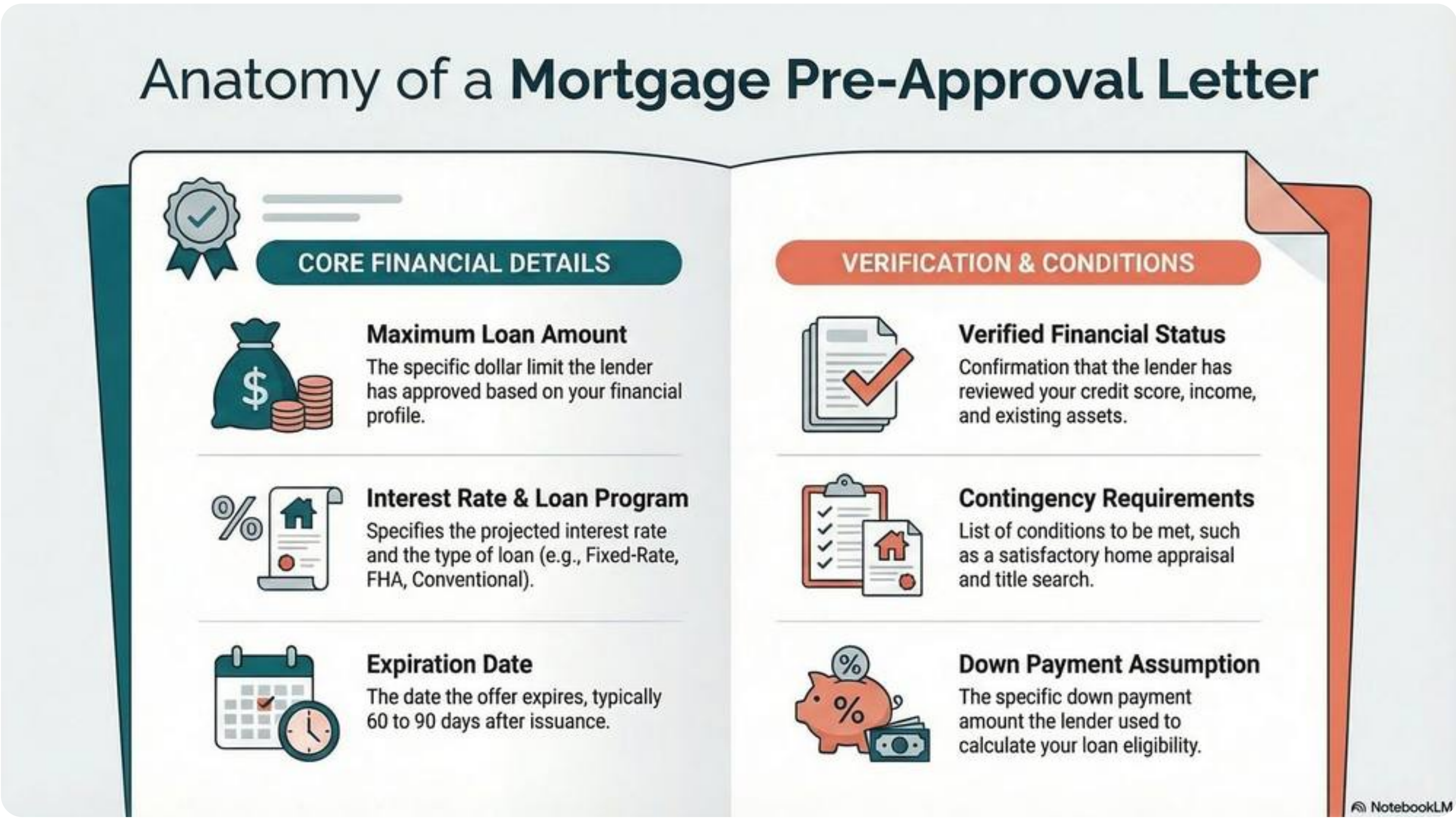
Pre-Approval is a substantive evaluation of your actual financial profile. It culminates with a determination created by an automated underwriting system (AUS) stating that you pass the national mortgage guidelines of Fannie Mae and Freddie Mac.

To generate that AUS favorable finding and issue a pre-approval letter, a loan officer will:

- Pull your credit reports and review your scores from all three bureaus
- Collect and review your income documentation — pay stubs, W-2s, tax returns
- Review your asset documentation — bank statements, investment accounts, etc.
- Calculate your debt-to-income ratio based on verified figures
- Evaluate your overall loan file against the guidelines of the loan program you are applying for

When all of this has been reviewed and imputed, and the AUS determines that you meet their qualifying criteria, the loan officer will issue a **pre-approval letter** — a written statement confirming that you are approved for a mortgage up to a specified amount, subject to a satisfactory appraisal of the property and a final underwriting review by **Ursula the Underwriter**.

A legitimate pre-approval letter is a powerful document. It tells sellers that a real person — with real income, real credit, and real assets — has been reviewed by a real loan officer and found to be qualified. In competitive markets, it is essentially your ticket to the poker table.



So that is the pre-approval process and pre-approval letter - orchestrated by the loan officer's gathering of the documents and information you compiled in at the beginning of this journey and fed into an automated underwriting system to generate a thumbs-up finding. Later, when the loan has been submitted to the lender, a real person (in our example the not-so-lovable Ursula the Underwriter) will review everything to assure the lender that all the documentation matches the automated findings.

Great, you have the pre-approval letter but now a seasoned loan officer will prove their worth in gold by answering questions for you (even if you didn't even think to ask).

Here are the '6 Big Mortgage Loan Questions' you will want answers to:

What is my best loan option? How do I get the lowest interest rate? Do I qualify for a Down Payment Assistance Program? How much house can I afford? What is an estimate of my monthly mortgage payment? How much are my estimated closing costs?

FTBH Question 1. What is my best loan option?

One of the most important decisions you will make during the pre-approval process is choosing the right loan program for your situation. There is no universally "best" mortgage — the right loan depends on your credit profile, your down payment, your military service status, the location of the property you are buying, and your long-term financial goals.

So I am going to cut to the chase and make this very simple. There are only four primary loan programs available to first-time homebuyers:

- **FHA Loans** - FTHBs first choice; combines low down payment and lower rate
- **Conventional Loans** - Fall back choice of FTHBs if FHA doesn't make sense

- **VA Loans** - Best loan option if you are an active or veteran (or spouse) of the military
- **USDA Loans** - Great option if you live outside metropolitan areas and lack reserves.

Each program has its own guidelines, requirements, advantages, and limitations.

NERD ALERT

This next section describing the 4 loan programs available to FTHBs is a one-way ticket to Slumber Town, USA. I have created info-graphics to assist you and keep you awake. If you want to take deep dives, see my YouTube channel - The Mortgage Patriot for indepth discussions into these programs.

The FHA Loan - The most popular choice for FTHBs

Most borrowers end up picking the FHA loan as their initial mortgage on their first purchase because the interest rate is better and the down payment is lower than the conventional alternative. Also they are more likely to be paired with DPA programs than a conventional loan. You are allowed more debt on your credit report than a conventional loan as well which ultimately allows you to buy slightly more home given the same amount of household income.

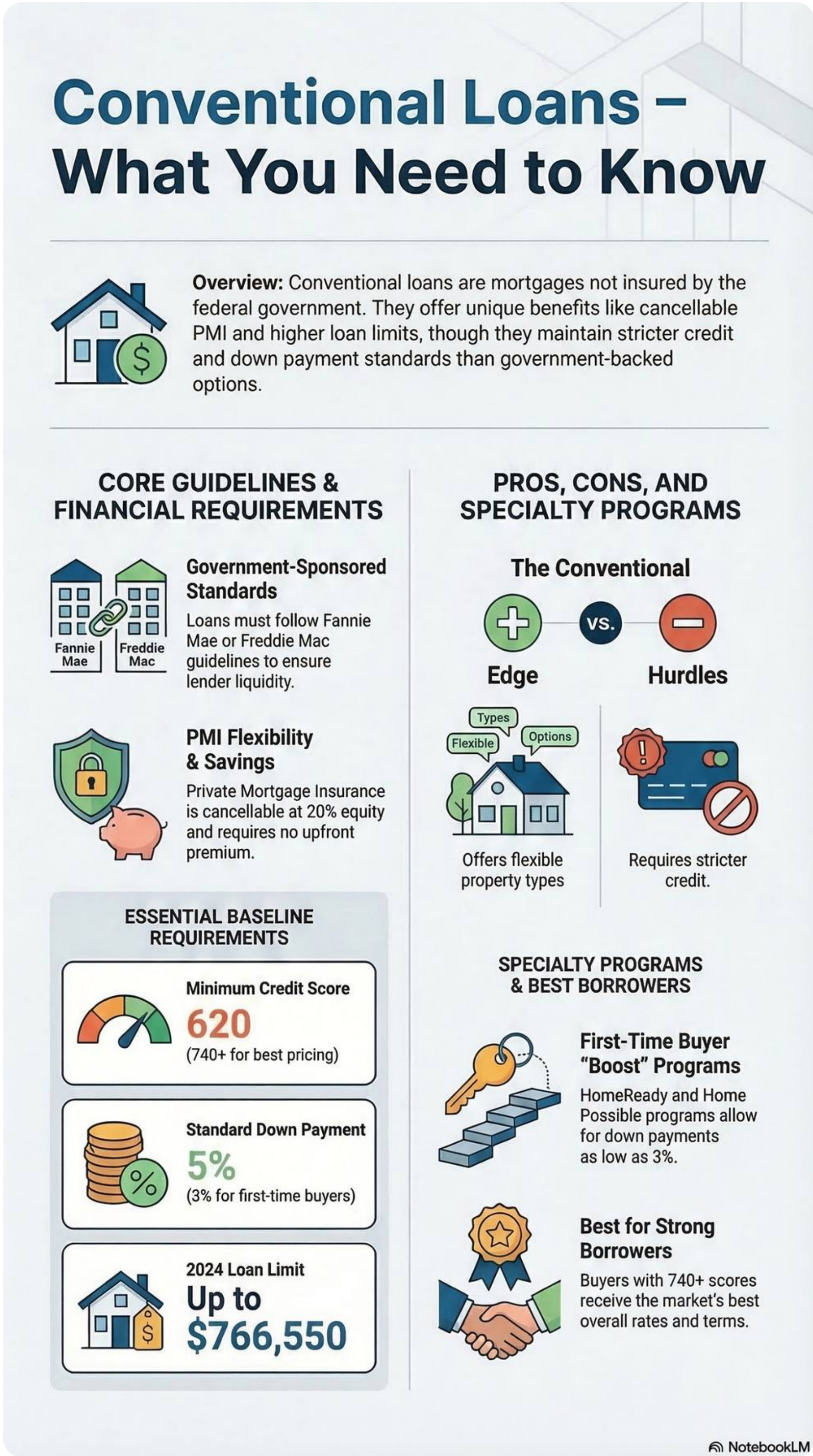
Disadvantages of the FHA loan include the continuous monthly mortgage insurance throughout the loan (which falls off at some point in the conventional loan) and having to add your spouse's debts to your debt-to-income ratio if you are married and the loan will only be in one of your names. Lastly, FHA is more demanding during the inspection and appraisal phase that

the home being free of any safety concerns.

REALITY BITES

The FHA loan can be problematic when Ivan the Inspector flags items for **immediate repair because of safety factors. The lender will require either the seller or buyer party to address this BEFORE CLOSING. This is typically items like the roof, electrical issues, plumbing challenges, foundation issues and wood-damaging pests.**

Conventional Loans - When the FHA can't work or you have great credit and will be occupying the property for 7-10 years or more.


Conventional Loans – What You Need to Know
Overview: Conventional loans are mortgages not insured by the federal government. They offer unique benefits like cancellable PMI and higher loan limits, though they maintain stricter credit and down payment standards than government-backed options.
CORE GUIDELINES & FINANCIAL REQUIREMENTS
Fannie Mae
Freddie Mac
Government-Sponsored Standards
Loans must follow Fannie Mae or Freddie Mac guidelines to ensure lender liquidity.
PMI Flexibility & Savings
Private Mortgage Insurance is cancellable at 20% equity and requires no upfront premium.
ESSENTIAL BASELINE REQUIREMENTS
Minimum Credit Score
620
(740+ for best pricing)
Standard Down Payment
5%
(3% for first-time buyers)
2024 Loan Limit
Up to $766,550
PROS, CONS, AND SPECIALTY PROGRAMS
The Conventional
Edge
vs.
Hurdles
Types
Flexible
Options
Offers flexible property types
Requires stricter credit.
SPECIALTY PROGRAMS & BEST BORROWERS
First-Time Buyer "Boost" Programs
HomeReady and Home Possible programs allow for down payments as low as 3%.
Best for Strong Borrowers
Buyers with 740+ scores receive the market's best overall rates and terms.
NotebookLM

While most FTHB borrowers do choose the FHA loan to start their homeownership years, when the FHA loan guidelines cannot be satisfied or if the borrowers have FICO scores over 720, then the conventional loan is usually your go-to option.

Advantages of the conventional loan include (assuming a FICO of 720 or better) lower monthly mortgage insurance payments and those very payments falling away completely as your home's equity (the difference between its market value and loan balance) becomes greater than 20%. Also, relative to FHA, the lender will generally **NOT** compel the seller to fix certain safety items flagged by Ivan the Inspector. Lastly, for the married couple with only one wage earner, the conventional mortgage **DOES NOT** require that the spouses debt be included for qualifying.

Disadvantages of the conventional loan include a slightly higher down payment, slightly higher interest rate. And if your FICOs are less than 680, then the monthly mortgage insurance costs more than the FHA alternative.

PATRIOT PRO TIP

If you have FICOs above 720, plan to live in the home for more than 7-10 **years and the home needs repairs that the seller refuses to correct, then the Conventional Loan is your choice.**

VA Loans - The obvious choice for our active military personnel and veterans

The VA loan program has a powerful compliment of advantages including a zero down payment requirement, no monthly mortgage insurance and very low rates. Tough to beat that trifecto of benefits.

There are some disadvantages however which include a large up-front fee that gets added to your loan to help guarantee the loan against default. This fee can be eliminated if the borrower has a VA disability percentage of 10% or higher. Also, the inspection and appraisal reports are more strict and this can burden the transaction with renovations that must be addressed before closing.

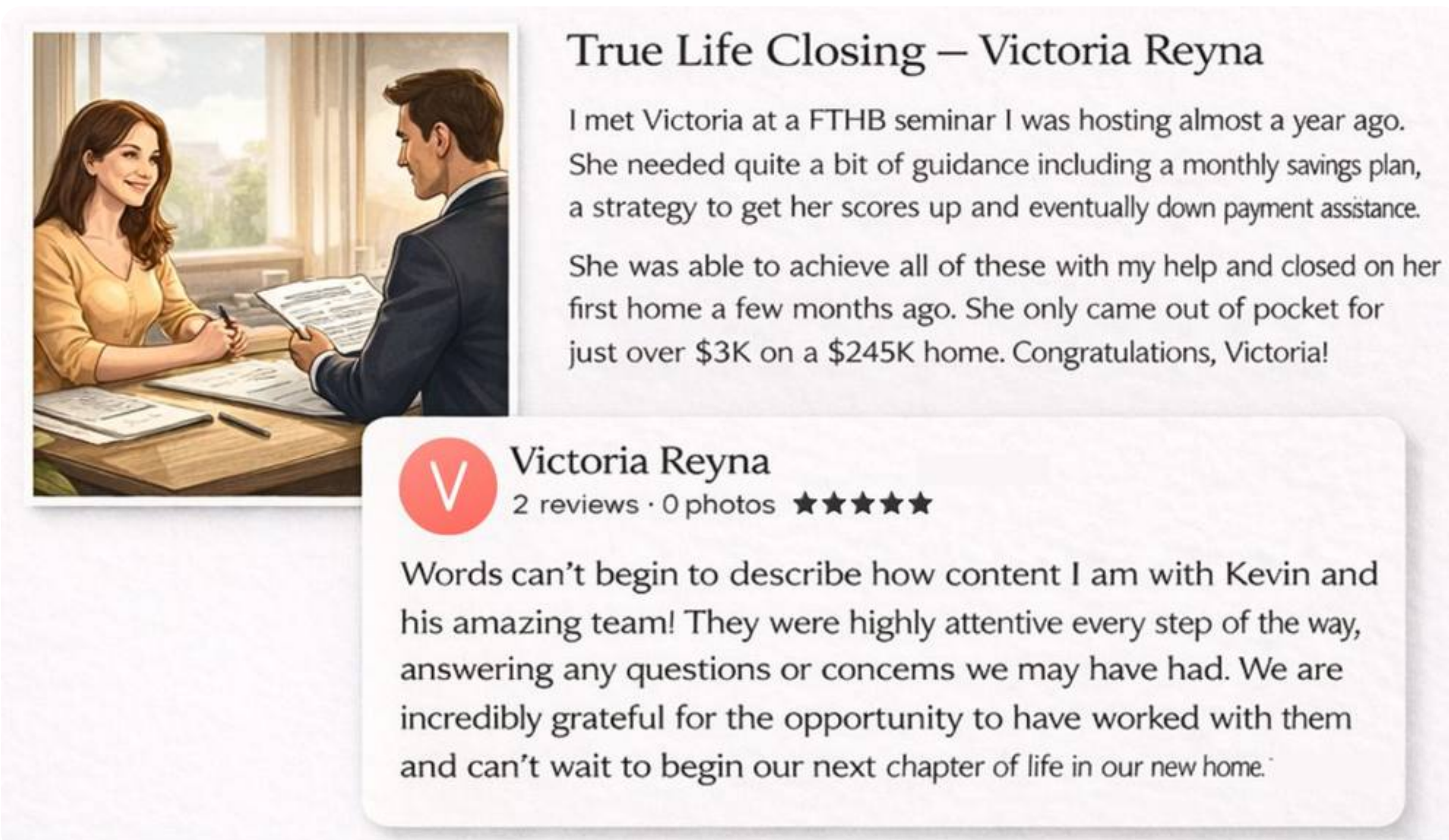
REALITY BITES

The VA loan is especially powerful for individuals with wealth-building on **their minds. I work with many VA borrowers who understand the power of this loan. Effectively, they can buy a new home every few years using the VA loan and come out of pocket very little at closing while renting out their previous home. The constant demand by the military to move bases every few years makes this strategy work well. It is not unusual to see a 40 year old in the active military who already has 5 rental homes that are growing massive wealth for the enlisted.**

USDA Loans - Best option for the out-of-city buyers that have little debt

The USDA loan program, administered by the U.S. Department of Agriculture, is one of the least-known and most underutilized mortgage programs available to first-time buyers. Like VA, USDA offers a zero down payment option — but rather than being based on military service, it is based on property location and borrower income.

Advantages of the USDA include a zero down payment requirement, a lower monthly mortgage insurance premium than FHA and competitive interest rates with low fees. Disadvantages include a much more restrictive debt-to-income ratio (so you can't have much debt existing on your credit report), restrictions on how much household income, and geographic restrictions. **Reality Bites: I have been a loan officer for 20+ years and while the USDA initially sounds good because of its 0% down benefit, I have rarely used it. Why? Because the borrower is only allowed a housing payment up to 29% of their household monthly income. So this severely limits HOW MUCH house the borrowers can purchase. A $75K annual income might be able to buy a $290K home in Texas using FHA but only but a $240K using the USDA loan. The following a real buyer closing and success story. We used an FHA loan on this one combined with down payment assistance.**



CHAPTER 3

Pre-approval and Remaining FTHB Questions

We left you in the last chapter answering the first of the "Big 6 Questions" every FTHB needs to have answered. And the answer to that question of "What is the best loan option for me?" was "Well, it depends". How about that answer for delivering massive value to you? Sorry but that really is the answer. So, cutting through the muck... Use FHA unless you can't. Use Conventional if you enjoy great FICOs and will be living in your home for 10 or more years. Use VA if you are active or retired from the military. Use USDA if you want to live outside the city and want a low priced home relative to income. **Reality Bite -The more complete answer is that Larry the Loan Officer will guide you through this. Or I can do it for you as well. So stop your quibbling and let's tackle the other five questions.**

FTBH Question 2. How Do I Get the Lowest Rate?

Every borrower trying to finance any big ticket item - a car, a cruise, and yes, a home wants as low a rate as they can get. No arguments here. So, again I will cut through what some would take five pages to tell you and summarize this succinctly.

To get the best interest rate on your mortgage, do any combination of these 4 things;

- Make sure to use a mortgage broker (not a direct lender) who can shop your loan.
- Consider a rate 'Buy-Down' that can be paid from seller concession.
- Consider an ARM instead of a fixed 30YR note if you plan to move within 7 years.

- Ask for it. Some mortgage brokers will cut their payoff to try and get a better rate for you.

PATRIOT PRO TIP

Friends don't let friends get mortgage loans from the big-box banks like Chase, Bank of America or Wells Fargo. I'm dead serious. Sorry, but they can't shop for you because they can only offer their own products. Same with the big, assembly-line direct lenders like Loan Depot or Rocket Mortgage. They can't shop. They ARE the lender. A mortgage broker has access to dozens or hundreds of direct lenders that they can shop from to get you the best deal.

REALITY BITES

Now don't go overboard and pit three loan officers against each other thinking you will come out ahead here. This will cause extreme chaos and you will drive you and your spouse crazy comparing quotes, fielding calls and reading detailed loan estimates. Trust one mortgage broker who will shop for you and give you options to look at (i.e. Fixed vs ARM; 2-1 Buydown vs 3,2,1 Buydown; FHA vs Conventional; etc..)

Regarding Buy-Downs - Ask the mortgage loan broker if they look advantageous at the time of starting on your loan. And here is how they work...

If your 'market rate' is at 6%, then a 2-1 buydown would start at 4% for the 1st year; then go to 5% for the 2nd year; then back to 6% for the remaining 28 years. Pretty cool! But it costs money... maybe $5K or more depending on your loan size. So the goal is to negotiate for seller concessions to assist in covering these added costs. (more on Seller Concessions in a later chapter) A 3,2,1 buydown will work the same but start at 3%, moving to 4% then to 5% and finally back to 6% for the remaining 27 years. Capiche? Now this 3,2,1 buydown costs more.

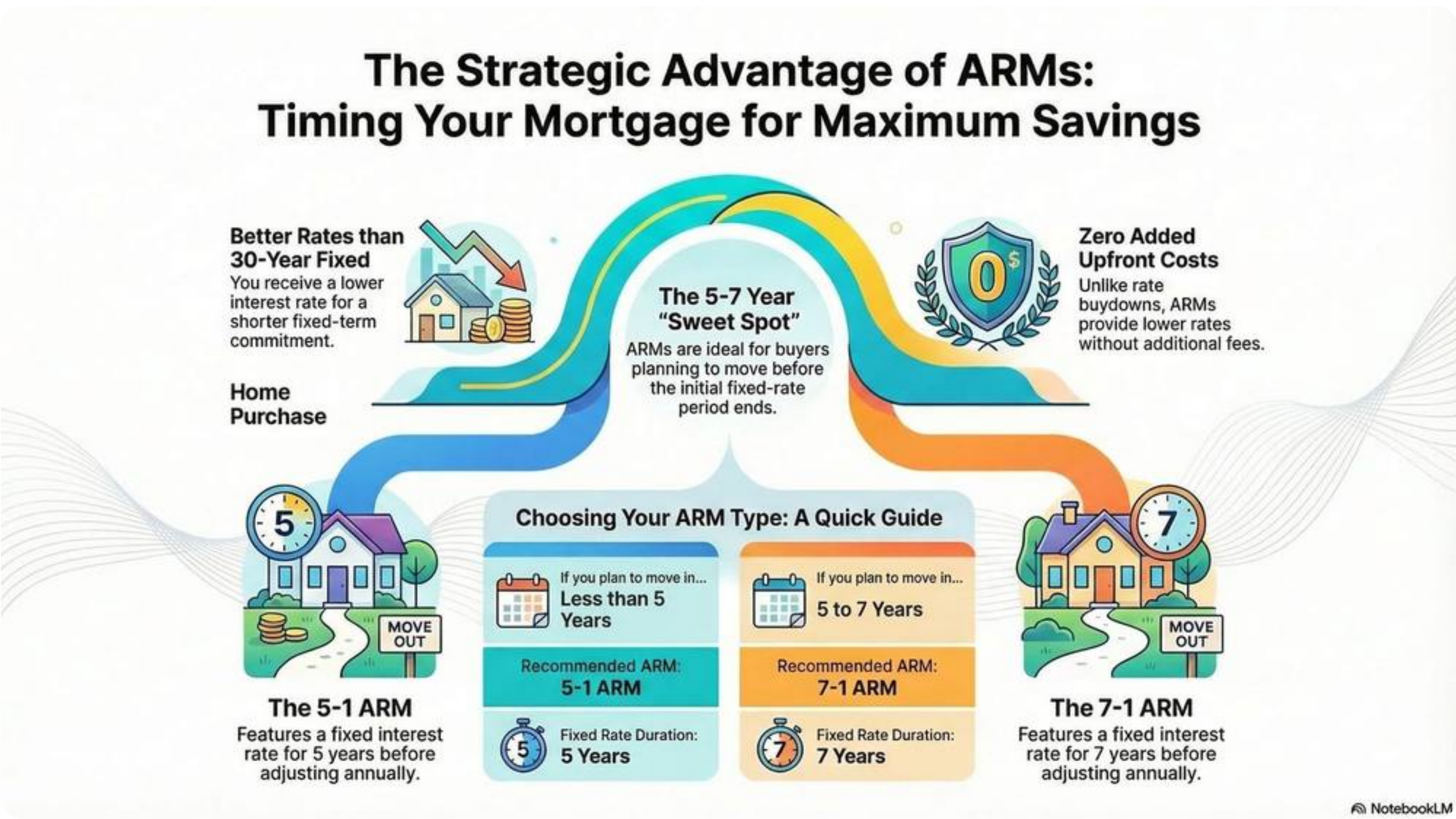
When to Consider an ARM - An Adjustable Rate Mortgage (ARM) is best used when you believe you will be moving from your first home within 5-7 years. Because an ARM gives you a slightly lower interest rate relative to their 30 YR fixed cousin but *only for a set period of time*.

For example - a '5-1' ARM will have the interest rate fixed for the first 5 years then adjust once a year thereafter based on some index.

A '7-1' ARM will have the interest rate fixed throughout the first 7 years then adjusted once a year thereafter based on some index.

Without going into the complexities of what the index is based on and if the ARM is capped and so forth, the main take-away is *you are basically getting a fixed loan for a shorter amount of time* ***at a better interest rate.***

So if you know you will likely be moving somewhere in between 5-7 years from your first home, it saves you a lot of money to get the 7-1 ARM. Likewise, if your first home will only be enjoyed for less than 5 years then lock in the 5-1 ARM. It is just that simple and ***there is no added cost to the ARM like there is with the rate buydowns.***



Let's move on to our next big FTHB question.

FTBH Question 3. Do I Qualify for a DPA Program?

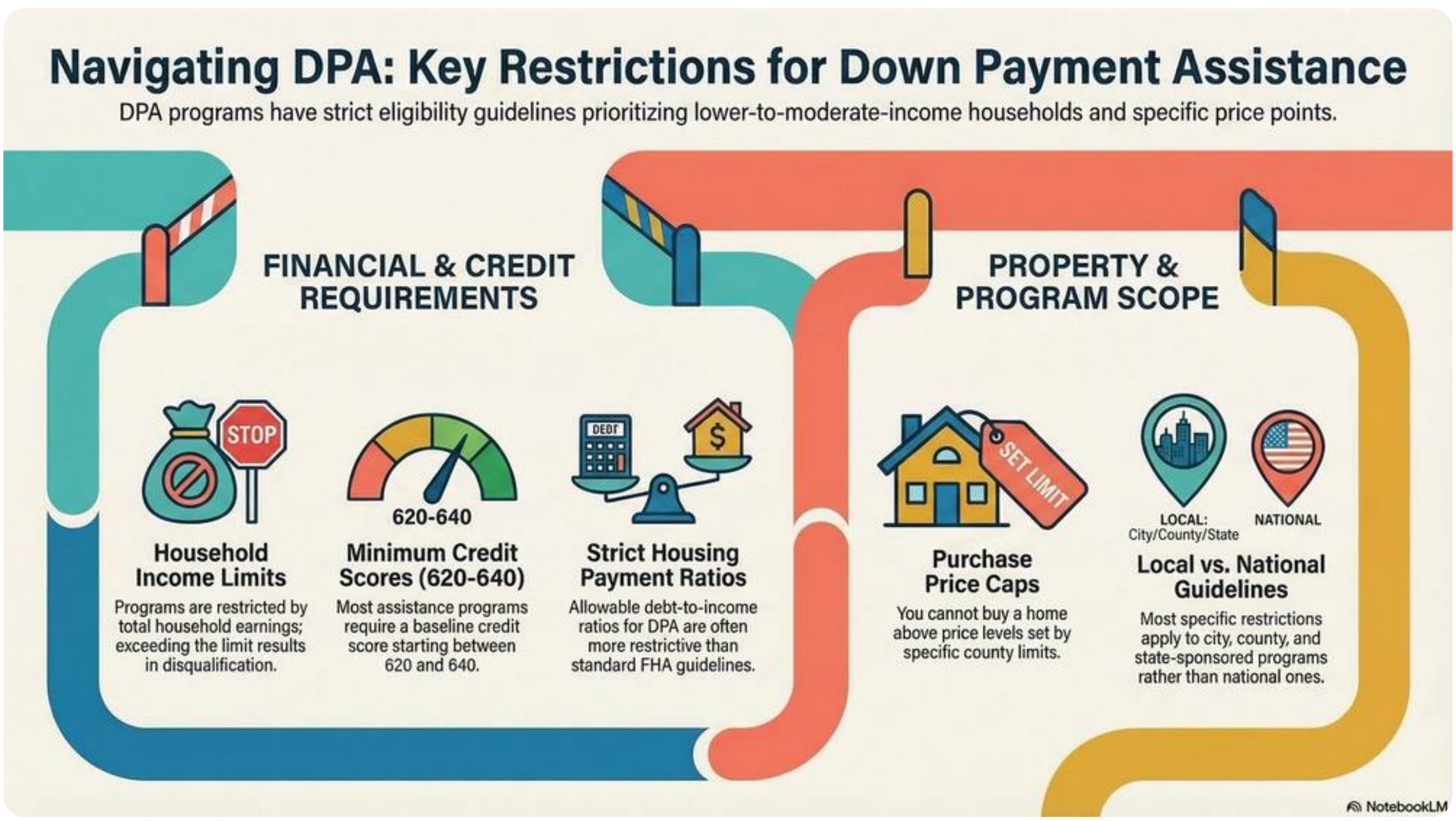
The single biggest challenge FTHBs have in the homebuying journey is coming up with the funds necessary to close on their first home. I get it. You certainly get it. And luckily the mortgage industry in relationship with city, county and state programs gets it.

So to assist in this massive need, there are literally thousands of Down Payment Assistance (DPA) programs all over the country. They start at the city level, then move up to county programs, followed by state sponsored programs to nationally sponsored programs. So in Texas alone, for example, there are dozens upon dozens of programs.

They all - except for the national programs - have a multitude of stipulations, unique guidelines and levels of assistance available. So to again make this as succinct a summary as possible (because this one topic alone could fill its own book), I will endeavor to give you the typical aspects of these programs.

The DPA programs are largely based on or restricted by:

- How much money your household makes; make too much and you don't quality.
- Your housing payment cannot exceed a certain ratio to income. Less than FHA allows.
- You cannot purchase above a certain price level; it depends on the county limits.
- Minimum credit scores typically start at 640.



Looking at some of these guidelines, how do you know if you make too much income?

Virtually all of these DPA programs rely on a baseline income level per county they call **Area Median Income (AMI)**. And then they allow access to that county's DPA program **if** (assuming all other factors are in line) **the borrower's household income is 80% of the county's AMI**.

PATRIOT PRO-TIP

- Go to an AI engine and type in ' What is the AMI in (Insert your County Name) County?' and let it tell you. Example - 'What is the AMI in Tarrant County?' Then take 80% of that number to see if your household income is under this.

PATRIOT PRO-TIP

- Do not spend any time researching these programs unless you are a glutton for punishment. Let Larry the Loan officer handle this. Maybe you could alert him to a program or two you saw using AI but otherwise just ask him to check out any programs that could apply to you and your financial profile.

REALITY BITES

- Just so you know, many DPA programs give you higher than market rates in order to compensate for the upfront layout of down payment assistance they are extending. Often it proves too high a rate and not worth it. Again, the LO will show you the options.

REALITY BITES

- If the borrower really needs it, I can get DPAs 95% of the time regardless of the borrower's income levels. But the question becomes - how much down payment

coverage is it extending and at what cost? Some programs will cover your entire 3.5% down payment but add a 2nd lien that proves too costly over time.

These next three questions are vital to understand. So let's keep it moving to the fourth big FTHB question.

FTBH Question 4. How Much Home Can I Afford?

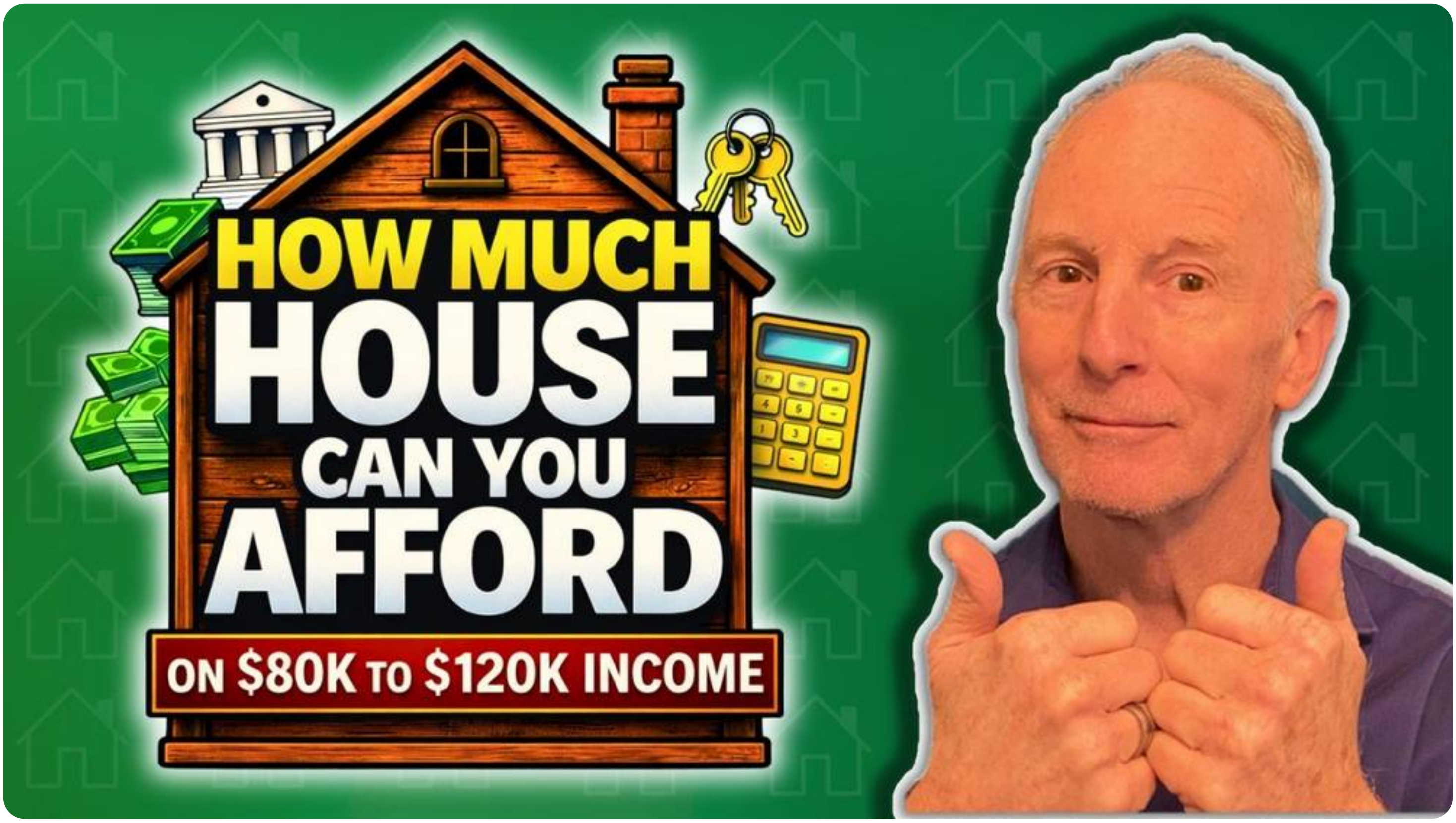
This is where the rubber meets the road my friends. And this is a most common core question that home shoppers ask. However, I will not answer it right away because what FTHBs are really wanting to know when they ask this question is “What is the maximum monthly loan payment I can qualify for? “

And the answer to that question will answer their first question - “How much home can I afford?” You will see what I mean as I tackle all this. So let’s look at the factors that go into your monthly mortgage payment:

- Principal and Interest
- Estimated property tax rates in your county of purchase
- Estimated property insurance quote for a home of that price
- Monthly HOA and/or condo association dues
- Monthly mortgage insurance expense

NERD ALERT

The following can get into the financial weeds. Sorry but this is just some of the math us mortgage guys do but I know it is not fun. Skip all this topic by watching this video I did on this subject and then contact me. No, seriously, just contact me.



Here is the video link - https://youtu.be/DQpGYAGShCs?si=kXQQO2kHs2BmemyN

If you are still with me, here are the steps to figure out "What is my maximum monthly mortgage payment I can qualify for?" in order to answer "How much house can I afford?"

Take your annual household income and divide by 12 to get a monthly figure.

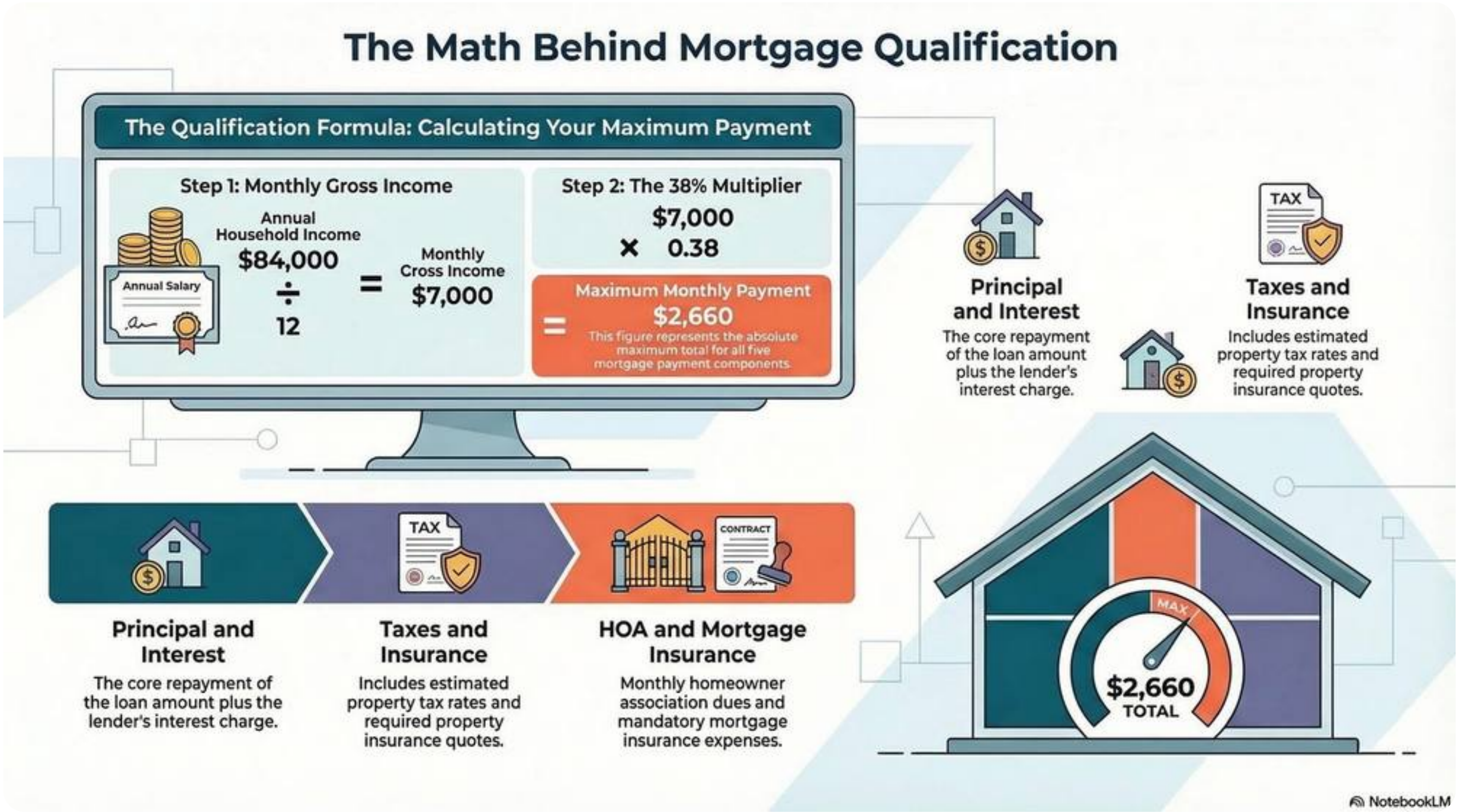
Multiply that number by .0.38 (why? Because I said so!. And more importantly FHA and Conventional loans allow you to have up around 38% of your monthly income expressed in a monthly housing payment.

That is the easy answer to "What is my maximum monthly mortgage payment I qualify for?"

Now what? Well, first off understand that this number represents the top end of what all 5 parts of your total monthly mortgage can be. Let's insert some numbers, shall we.

If your household income is $84,000 per year, we divide this by 12 to get a $7,000/mth income.

Now we multiply $7,000 by 0.38 and we get $2,660. **So your new loan consisting of principal and interest, property taxes and property insurance, HOA dues and related and mortgage insurance CANNOT EXCEED $2,660.**



"Great Mr. Mortgage Patriot" you say "But how does this tell me how much House I can afford?".

Ahhh grasshopper, I am about to show you.

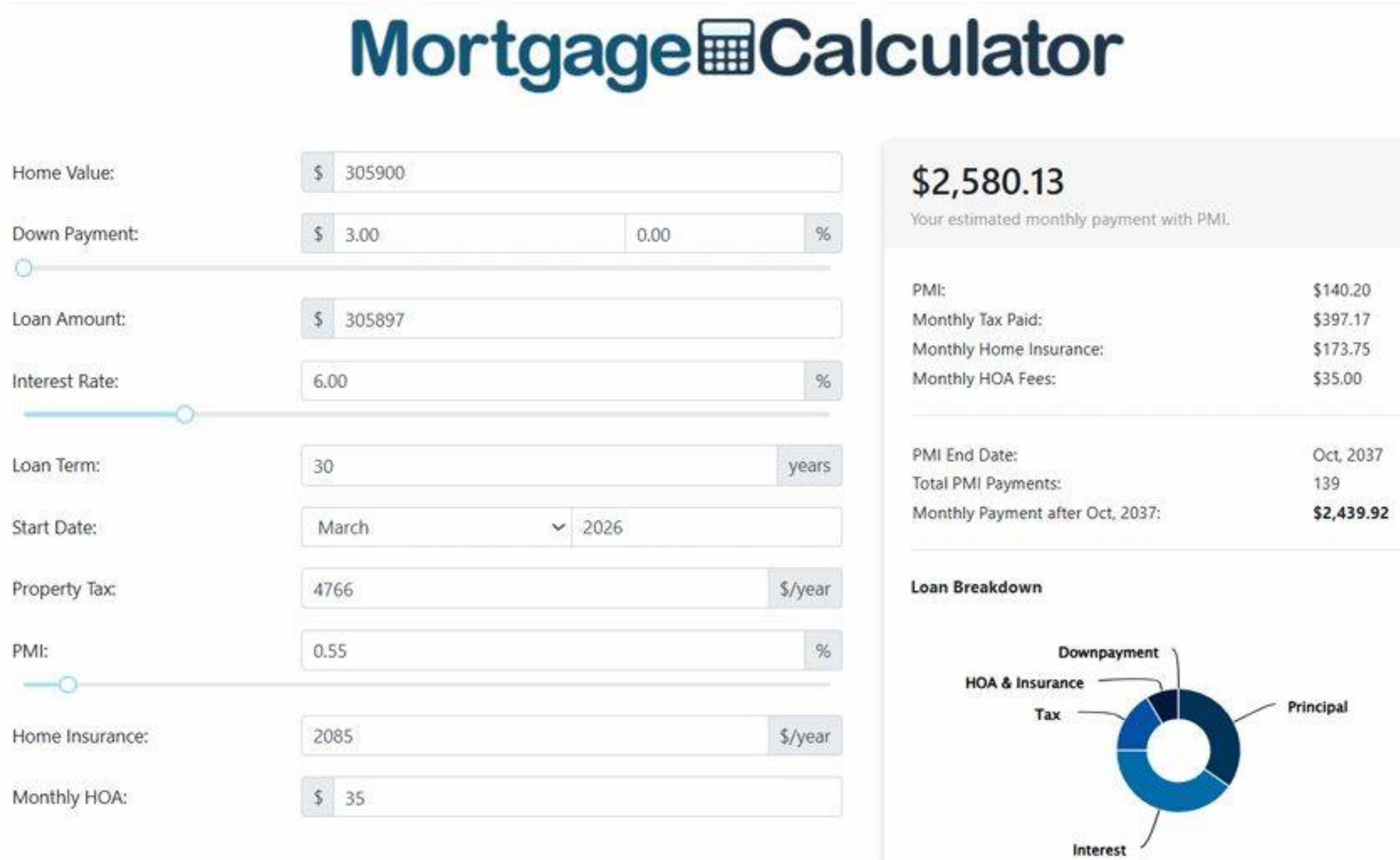
To answer this we have to do some reverse engineering. We have to plug in a home purchase price and estimate all the factors to come up with a payment that is just under $2,660 in our example. So here we go...

Take the max payment of $2,660 and multiply it by 115. This part has no explanation. It is just a figure to ballpark the initial purchase price guess, so play along.

$2,660 x 115 = $305,900

So let's go to a mortgage calculator and plug in our values:

Purchase Price (PP) = $305,900 Down Payment of 3.5% (assumes an FHA loan) Interest Rate of 6% (depending on credit score but this is about where we are now) 30 Years term Property taxes estimated taking PP and multiplying by 0.016 (assumes Homestead Exemption) PMI factored at 0.55 (this is what FHA charges for monthly mortgage insurance) Home Insurance estimated by taking PP and multiplying by 0.007 HOA dues we estimated at $35 per month.



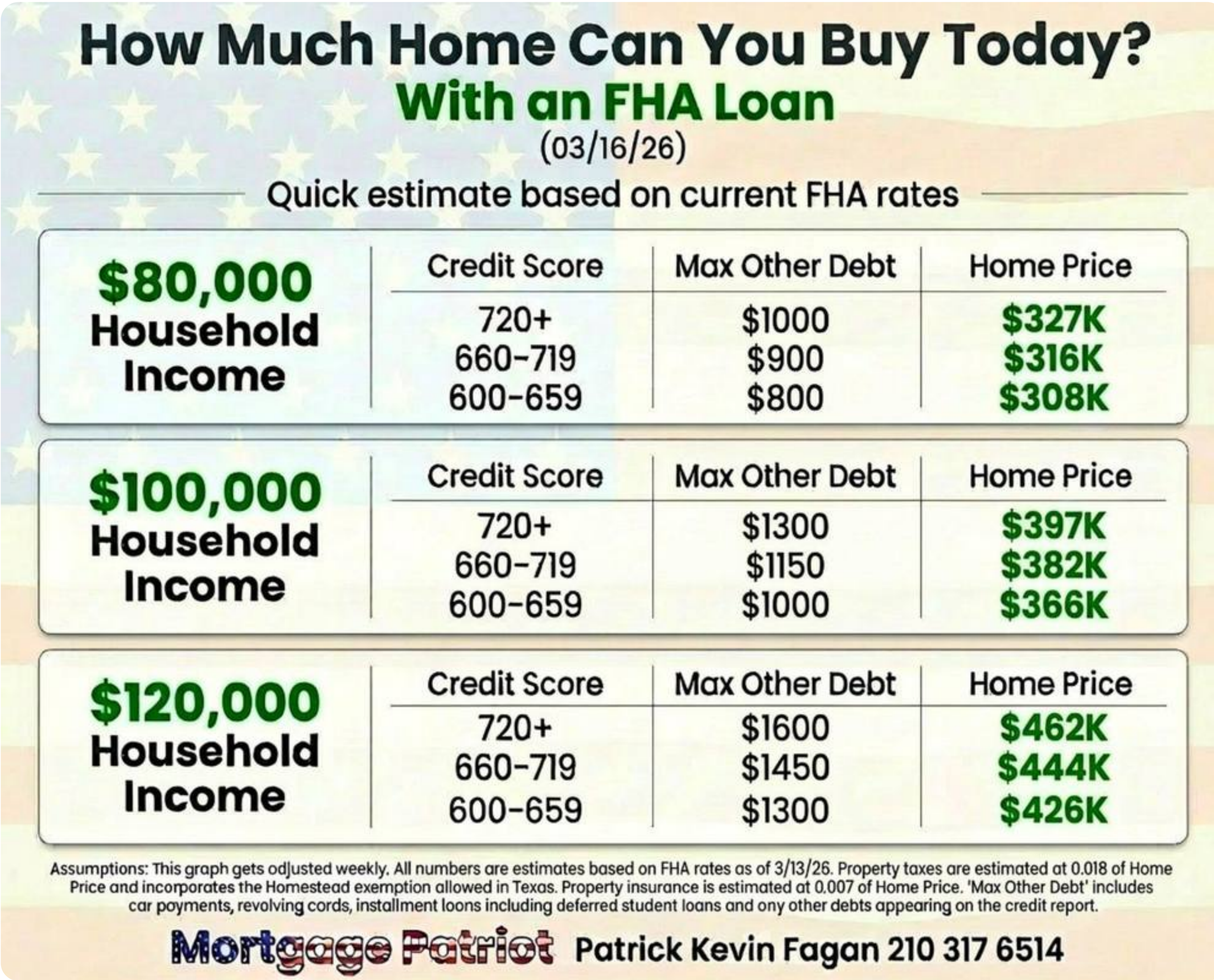
And what does all this produce in a total monthly mortgage payment? Answer: **$2,580.13**

Remember earlier that our max monthly mortgage payment was $2,660 so $2,580.13 is pretty close but under. So since we have a lot of estimates here, **we can say that a borrower with a $84K annual income can afford around $305K to maybe a $310K home purchase.**

Now let me make this a lot easier for you. Just hover over this QR code you see here -

And this will put you on our weekly email that comes out every Monday morning and gives you this updated chart showing **“How Much Home Can I Afford Today (with an FHA loan)”**.

It looks like this and hopefully you can figure out how to use it. But here is one example just to keep it clear.


How Much Home Can You Buy Today?
With an FHA Loan
(03/16/26)
Quick estimate based on current FHA rates

Household Income	Credit Score	Max Other Debt	Home Price
$80,000 Household Income	720+	$1000	$327K
	660-719	$900	$316K
	600-659	$800	$308K
$100,000 Household Income	720+	$1300	$397K
	660-719	$1150	$382K
	600-659	$1000	$366K
$120,000 Household Income	720+	$1600	$462K
	660-719	$1450	$444K
	600-659	$1300	$426K

Assumptions: This graph gets adjusted weekly. All numbers are estimates based on FHA rates as of 3/13/26. Property taxes are estimated at 0.018 of Home Price and incorporates the Homestead exemption allowed in Texas. Property insurance is estimated at 0.007 of Home Price. 'Max Other Debt' includes car payments, revolving cards, installment loans including deferred student loans and any other debts appearing on the credit report.

Mortgage Patriot Patrick Kevin Fagan 210 317 6514

[How to read this] If you make a household income of $100K, have a credit score between 660-719 and have max other debt (car payments, Credit cards, student loans, etc) of around $1,150 or less, you should be able to purchase around a $380K home. Easy!

PATRIOT PRO TIP

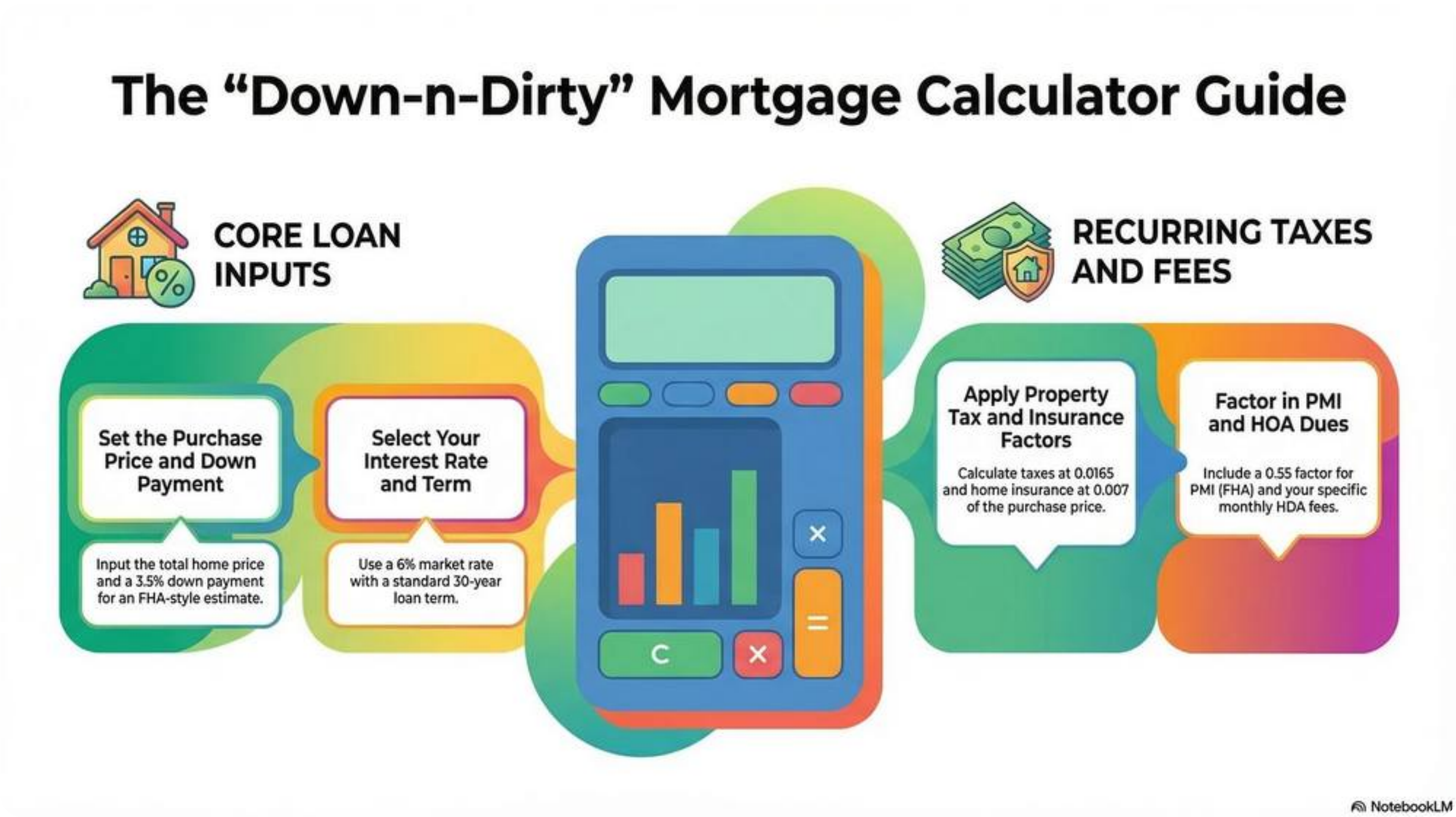
Use the QR code for this easy-to-read weekly chart and your spouse will **think you are the bomb! Now you can tell him or her at any point how much house you can buy given where rates are that week. If rates go down, you will see the home prices go up for example.**

Let's move on before I get sued for being too boring.

FTBH Question 5. What is my estimated monthly payment for this home I am hoping to buy?

Luckily, we have already answered this question when we solved for question #4. So here is the down-n-dirty math to figure this out:

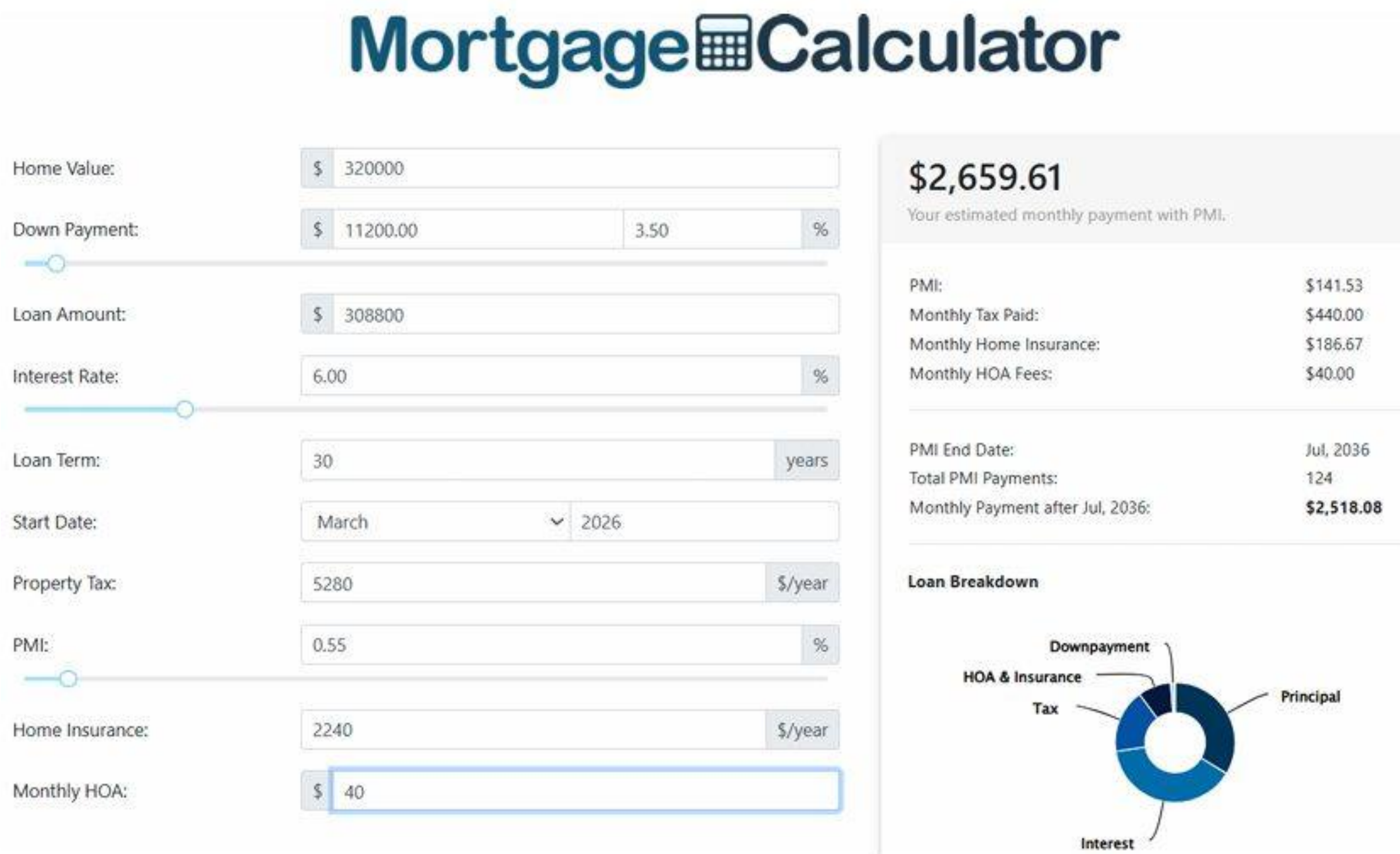
Go to a mortgage calculator. Enter the purchase price (PP) of the home you are interested in. Enter 3.5% for Down Payment Enter a market interest rate (today around 6%) Enter a Loan Term of 30 yr (unless you want a 20 or 15 YR note) Enter a property tax number based on the PP multiplied by a factor of 0.0165 (Vary by state) Enter 0.55 for the PMI (this is the FHA mortgage insurance factor Enter a home insurance number based on the PP multiplied by a factor of 0.007(Vary by state) Enter your HOA monthly dues.



These inputs will give you an estimated monthly mortgage payment for any home you have interest in - the whole enchilada. This includes principal, interest, property taxes, property insurance, HOA dues and private mortgage insurance. (And by the way, who among us does not love a good enchilada?

Quick example - You have your eyes on a nice home listed for $320K in your area and want to know approximately how much your all-in monthly payment would be.

$320K PP, FHA loan, 3.5% Down, 6%, 30 year Term, $5,280 in property taxes ($320K x .0165), property insurance ($320K x .007), 0.55 for PMI of loan amount, $40 HOA = **$2,659.61**



Let go to the final question which very well may be the most important for every first-time homebuyer.

FTBH Question 6. How much am I writing a check for at closing?

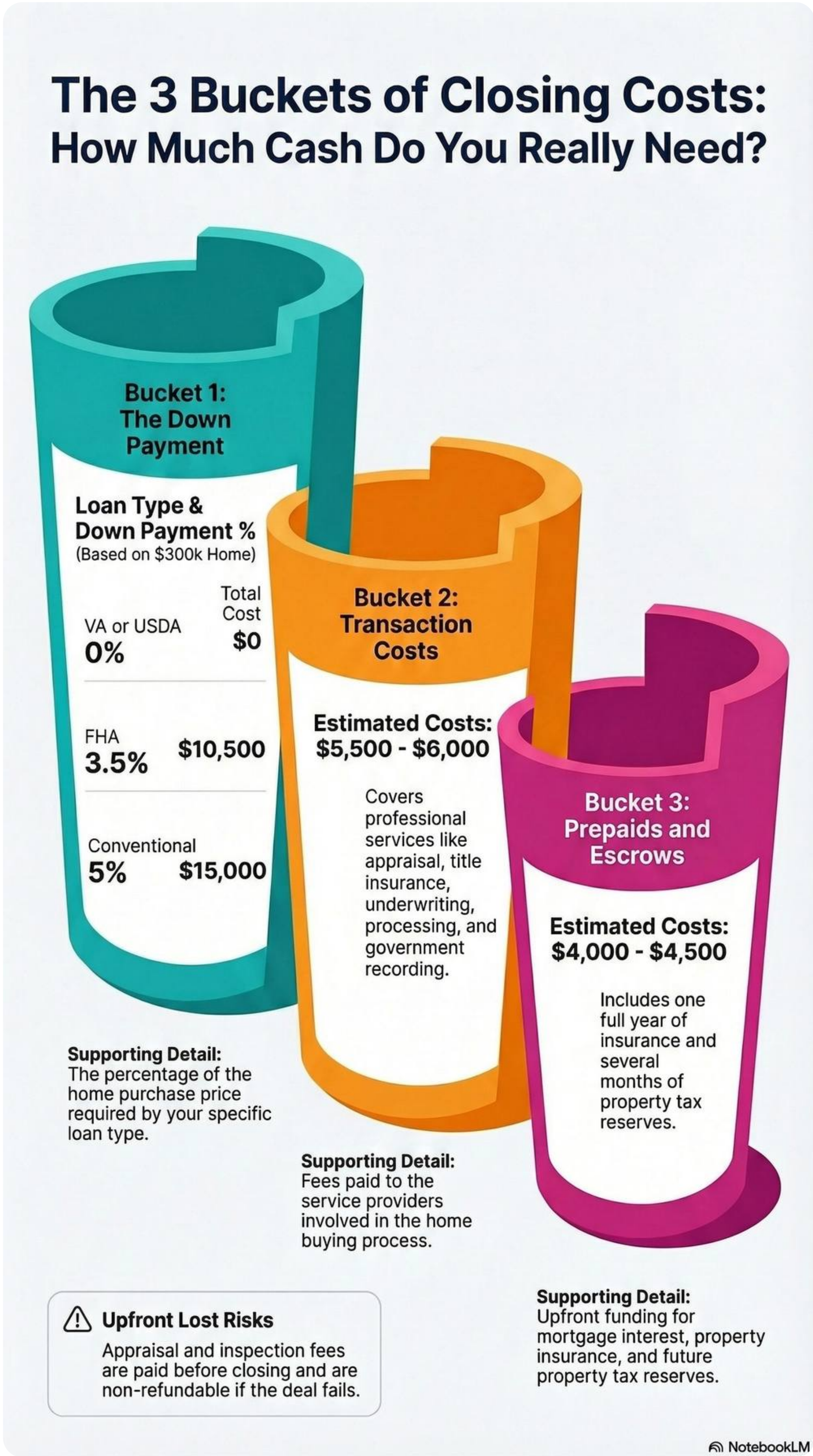
This is the question whose answer determines more house-hunting starts or hard stops than all the other questions combined. Why is this, you ask? Well, simply because while first-time home shoppers typically have enough income and sufficient credit scores to qualify for a first home, they lack the savings necessary. No fault typically of their own, most just haven't had enough time to build sufficient savings for the required check to write at closing.

When I am counseling FTHBs, I first show them how big a check they would write at closing **BEFORE** any help. And by 'help' I mean down payment assistance and seller concessions.

Then I show them how big a check they would write at closing if they get any combination of the DPA or seller concessions. So let's do this now.

I always refer to the three Buckets of closing costs because it is easy to conceptualize. The three buckets of closing costs are;

- Down Payment
- Transaction Costs
- Prepaids and Escrows



Let’s break these down -

Bucket #1 -Down Payment - This is the easiest to understand. This is the percentage of the purchase that you must come up with as part of your closing costs. For example, the **FHA** loan has a standard 3.5% down payment requirement. So on a $300K purchase, your down payment portion of the closing costs would be $10,500 ($300,000 x 0.035).

For a **conventional** loan, generally the lowest you can go is 5% down (exceptions down to 3% for low-income borrowers) so that same $300K home would require $15,000 allocated at closing for the down payment portion.

For a **VA or USDA** loan, both enjoy 0% down payment benefits so on the $300K home, the down payment portion allocated to closing costs is $0.

PATRIOT PRO-TIP

Often a borrower who qualifies for a VA or USDA loan is confused by their "Zero Down Payment' promotions and thinks they will not have to write a check for anything. Again, ***the down payment portion is only the first of three*** **'Buckets' that must be allocated towards to cover all your closing costs requirements.**

Bucket #2 - Transaction Costs - Remember all our initial cast of characters? They all need to be paid for their services. So this means at closing you will pay for underwriting, processing, title insurance, survey and government recording fees (the appraisal is paid earlier upon its ordering). This adds up quickly and you can estimate on a $300K home in Texas that the transaction cost will be between $5,500 - $6,000 as of this writing.

Breakdown of Transaction Costs

Aaron the Appraiser - Usually this is paid BEFORE closing but shown as an expense. . **Ivan the Inspector** - Ordered and paid just after getting under contract. Not shown at closing. **Lawrence the Loan Officer** - Paid at closing but often not by the borrower **Ursula the Underwriter** - She will get paid at closing **Patricia the Processo**r - Patricia will get paid at closing **Teresa the Title Rep** - Teresa will get paid at closing **Sam the Survey** - Sam will get paid at closing if his service is required

REALITY BITES

Since the appraisal and the inspection are the two expenses paid before closing, they become the only charges you will risk losing if the transaction does not go through. No closing...no takebacks.

Bucket #3 - Prepaids and Escrow funding - a new homeowner at closing must prepay two line items - interest for the remainder of the month and a full year of property (hazard) insurance.

Beyond the prepaids,a borrower must fund the escrow account by about 2-3 months of insurance and 4-5 of property taxes.

In the state of Texas, for example, the prepaids and escrow funding on a $300K home will be approximately $4,000 to $4,500.

“What is an escrow account?” you ask eagerly because nothing gets by you.

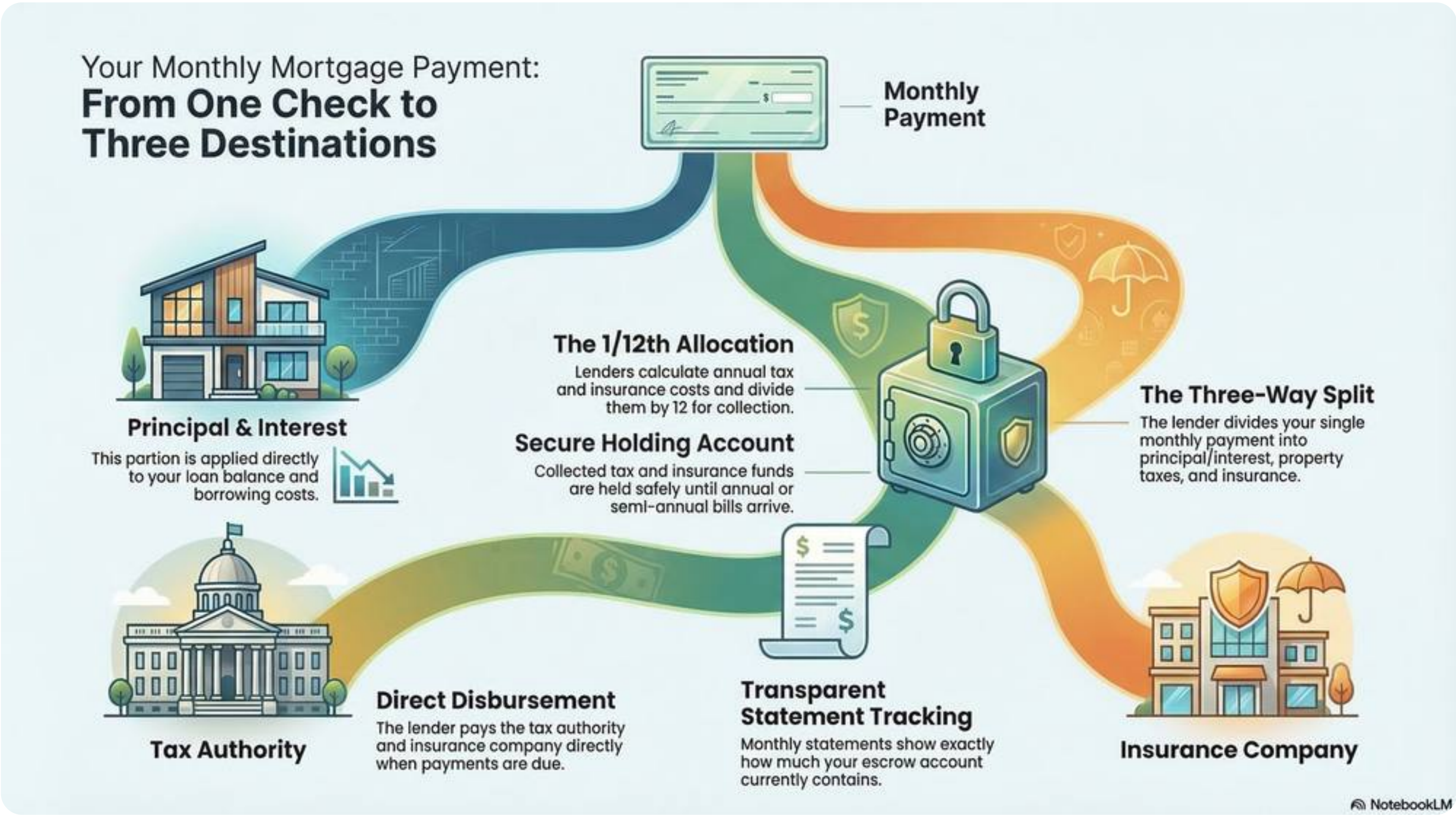
NERD ALERT

An escrow account is a specialized holding account managed by your mortgage lender (now called the servicer after the loan is closed and funded) used to pay your property taxes and homeowners insurance on your behalf. Instead of you having to save up and remember to pay massive annual or semi-annual bills for taxes and insurance, the lender divides those annual costs by 12 and adds that fraction to your monthly mortgage payment. The

lender collects this money every month, holds it safely in the escrow account, and then pays the tax authority and insurance company directly when the bills are due.

So your monthly mortgage payment, once received by the servicing institution, will be divided into 3 parts...the principal and interest, the property taxes, and the insurance coverage.

On your mortgage statement, you will see the breakouts for these 3 allocations as well as an entry called “Escrow” which will show how much to date that escrow containing property taxes and property insurance currently contains.



Congratulations! You are pre-approved and understand the 6 most important questions you should have as you prepare to engage a real estate agent and begin viewing homes!

Here is another True Life Closing Success story...

True Life Closings – Vincent White

Vincent contacted me after watching some of my YouTube videos and expressed his desire to purchase a home over the next few months. He had initially gone to another loan officer but was shown a substantial cash-to-close estimate that exceeded his liquid reserves at the time.

This is a typical scenario I see a lot. Most loan officers – since they are not also realtors – do not fully understand how seller concessions can be negotiated and optimized to lower the borrower's required closing costs.

Vincent and I discussed his situation and I subsequently spoke to his buyer agent to get everyone on the same page for the negotiations on his offer. He ended up receiving substantial seller concessions that provided the costing costs figure to be an acceptable level for the underwriter at the lender's firm.

V

Vince White
4 reviews ★★★★★

I came across Mr. Fagan the Mortgage Patriot on YouTube after experiencing a few hurdles while trying to buy a home and it was the best decision I've made in a while, he's very responsive, professional and will clearly explain every step of your buying process and best of all he was able to keep some money in my pocket.

Let's move on to the next chapter so we can pick out a real estate agent and tackle the home buying process.

CHAPTER 4

Selecting a Real Estate Agent and Touring Homes

There is a particular kind of confidence that comes from walking into a home with someone who has seen hundreds of them. Someone who notices the water stain on the ceiling that you almost missed. Someone who knows that the neighborhood four blocks over has a better school district. Someone who knows the listing price and can tell you—within minutes of walking through the door—whether it is priced right, priced high, or priced to move fast. Someone who has sat across the negotiating table dozens of times and knows exactly how to get you what you want without blowing up the deal.

That person is a talented, seasoned real estate agent.

In the previous chapters, you built your financial foundation and secured your pre-approval with **Lawrence the Loan Officer**. You know what you can afford and what kind of loan you are working with. Now it is time to step into the market. The agent you choose and the strategy you adopt for touring properties will directly shape the quality of the home you ultimately purchase and the price you pay for it.

This chapter is your guide to partnering effectively with a buyer's agent, understanding the local market, and touring homes with a trained eye. Let’s get you off the couch and into the hunt.

Choosing the Right Buyer's Agent

Although it continues to improve, the barrier to entry for a real estate license is not high, which means the range of skill across agents is enormous. At one end are experienced professionals who protect your interests; at the other are part-time agents who sell less than a handful of homes a year.

Choosing the right buyer's agent is one of the most important decisions you will make. A great agent does not just open doors—they protect your flank and negotiate like a beast.

PATRIOT PRO TIP

A mediocre agent can cost you far more than their commission through missed opportunities, poor negotiation, and inadequate guidance at critical decision points. This is not the time to hire your buddy because he became an agent 4 months ago. This is literally the biggest investment and debt obligation in your life.

What to Look for in a Buyer's Agent

Local Market Expertise: Real estate is intensely local. You want an agent who knows your target market so intimately they know which street has the best block parties and which one has the nosy neighbors. A true local expert can tell you which neighborhoods are hidden gems, which listing prices are pure fantasy, and which sellers are sweating and ready to make a deal.

Transaction Volume: Reps matter! An agent who closes twenty or thirty transactions a year has been in the trenches and developed ninja-level knowledge of contract loopholes and negotiation dynamics. **An agent who only closes four deals a year is practically using your life savings as a training exercise**. Look for the heavy hitters whose activity is concentrated in your specific target area and price range.

Responsiveness: In a competitive market, speed isn't just nice—it's everything. A hot home that hits the market on a Thursday evening could easily have a stack of offers by Saturday afternoon. If your agent is the type who "unplugs for the weekend" and doesn't check their messages until Monday morning, they've already cost you the house. You need someone quick on the draw!

Fiduciary Commitment: Your buyer's agent has a legal and ethical obligation to be *your* ultimate wingman. They represent your interests—not the seller's, and definitely not their own commission check. This means your agent should have the guts to tell you the hard truths, even when it stings (like telling you that "charming fixer-upper" is actually a wildly overpriced money pit, or that the neighborhood has serious red flags).

How to Find Qualified Candidates

- **Referrals:** Ask friends and family who had a genuinely positive experience buying in your target area.

- **Lender Recommendation:** Ask **Lawrence the Loan Officer**. Lenders work with agents every day and know who actually gets deals across the finish line on time.
- **Online Research:** Similar to our loan officer search, look for a YouTube presence in the area of interest, check their Google Business Profile for reviews and perform an AI search to uncover its analysis.

The Interview Process

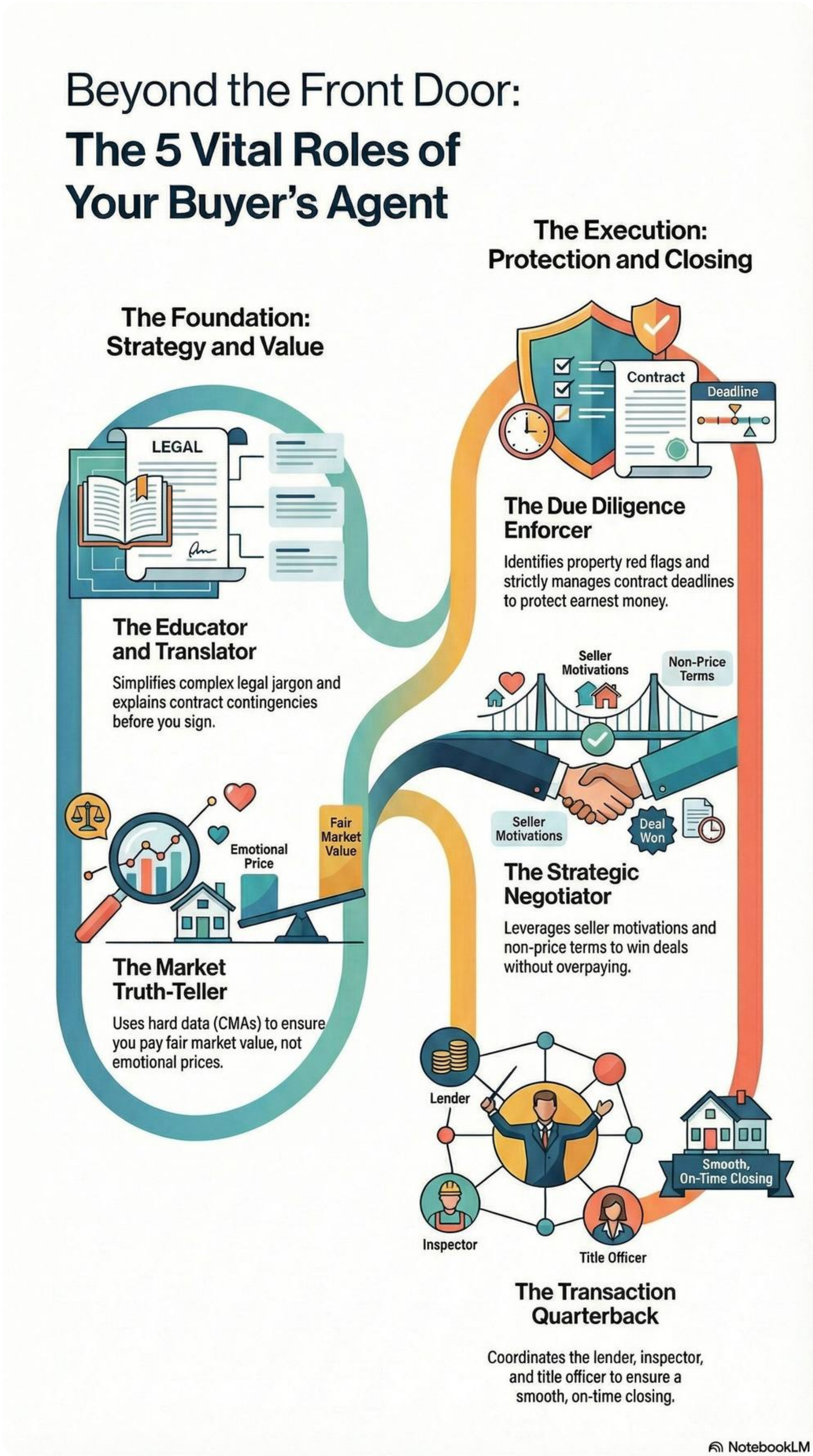
Here are some FTHBs questions worth asking a prospective buyer agent:

- How many buyers did you represent in my target area in the past twelve months?
- What is your typical response time to calls, texts, and emails?
- Can you describe a recent negotiation where you achieved a great outcome for a buyer?
- Are you a full-time agent? (Part-time agents may struggle with availability in fast-moving markets).

REALITY BITES

The internet killed the agent as the sole information gatekeeper. You can look up property lines and tax histories from your couch in your pajamas. You don't need to pay someone to be a Zillow tour guide. You are hiring a buyer's agent mainly for two reasons: to be a pitbull at the negotiating table, and a master problem-solver when the wheels inevitably try to fall off the deal.

The 5 Key Responsibilities of your Buyer Agent



Understanding Buyer Representation Agreements

A **Buyer Representation Agreement** is a written contract between you and the agent. The agent becomes your buying agent (in contrast to the listing agent representing the selling party). It defines the duration of the agreement, the geographic area covered, and how the agent gets paid.

Following landmark industry changes in 2024, buyers ***must*** have a signed representation agreement before touring homes. Buyer agent compensation is now negotiated independently. You can request the seller cover it in your offer, but it is no longer guaranteed. Read the agreement carefully!

PATRIOT PRO TIP

Commissions are negotiable. I will write this again...Commissions are negotiable. So don't hammer Larry the Loan Officer to cut commissions or costs when the biggest expense to you is the agent's commission. A very good agent is worth their efforts but just understand this dynamic.

Super Patriot Pro Tip - Want to put an extra $1,500 in your pocket to assist with your closing costs? Here's how ... when you are presented with the 'Buyer Representation Agreement', negotiate for a 2.5% commission instead of 3%. Tell the agent that for any seller offering a 3% buyer agent commission (which will be most sellers), you will want to use the remaining 0.5% for additional contributions towards your closing costs. If the agent balks at this, then do not hire them. Trust me, there are very good agents willing to work for 2.5%. I am one of them because I want to see you get a great deal.

This Super Patriot Pro Tip is based on a hypothetical $300K price. 3% of $300K = $9,000. 2.5% of $300K = $7,500. The difference = $1,500 and that is what is sitting there waiting for you to negotiate with the agent you agree to work with. No...you're welcome!

REALITY BITES

- Even though the new buyer agent compensation places the liability on the buyer party (you) to compensate your agent, 99.5% of the transactions still have the seller-side paying for the buy-side commissions out of the proceeds of the sale.

Understanding the Local Housing Market

Before you even think about putting on real pants to go tour a house, you need to understand the battlefield you are stepping onto. **Rochelle the Real Estate Agent** is your intelligence officer, but a clueless buyer is a dangerous buyer. An educated buyer is a lethal weapon.

The Balance of Power: Who is Holding the Cards?

Any residential market - local, regional or national is described in one of three current conditions

- **A Seller's Market:** There is blood in the water. Buyer demand crushes housing supply. Homes fly off the shelf in 48 hours, ruthless bidding wars are the norm, and asking a seller for a price reduction is like asking a shark for a bite of its seal. You have to move fast and hit hard with reduced concessions if any and quick closing date proposals.

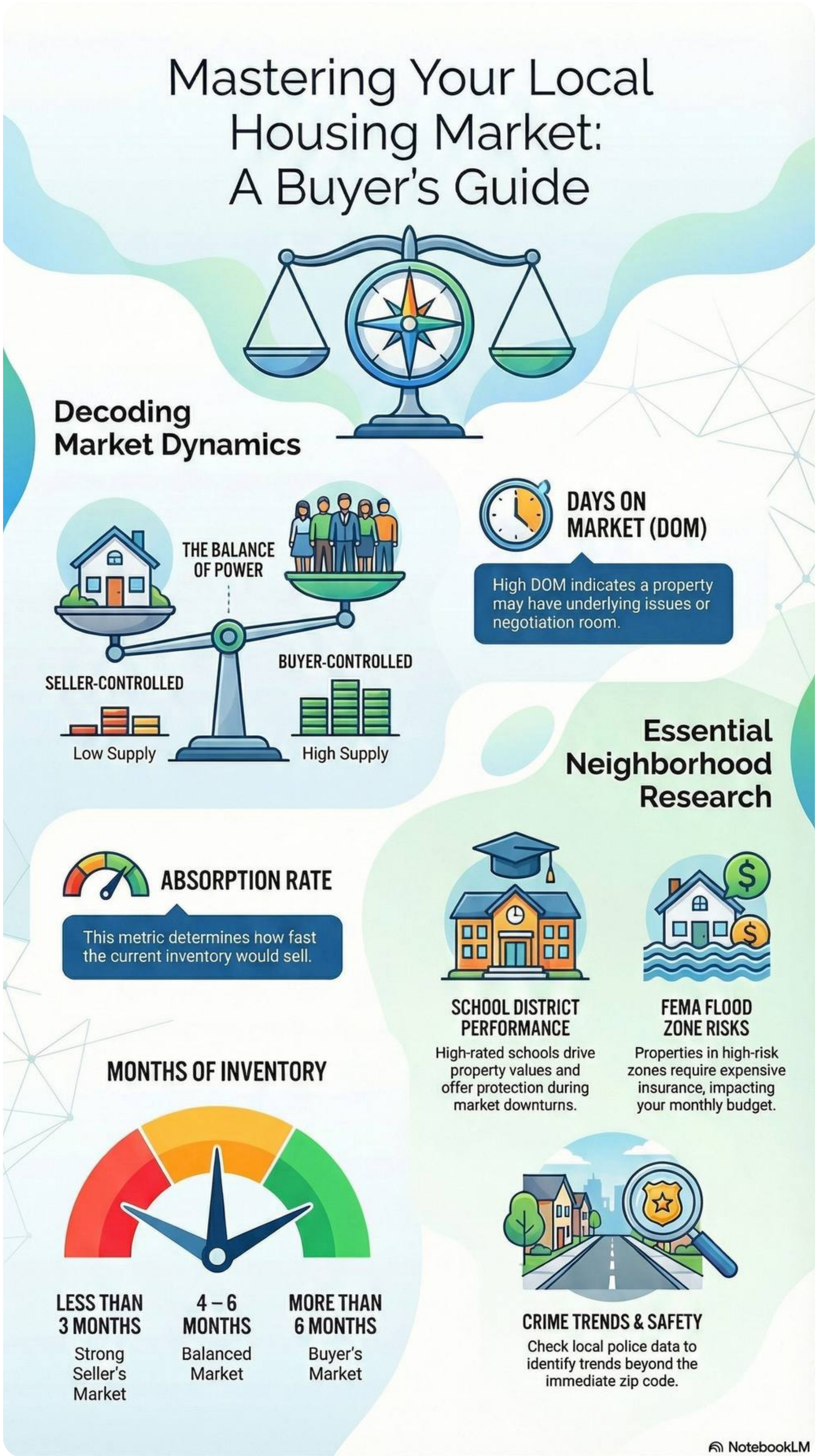
- **A Buyer's Market:** You are the captain now. Supply outweighs demand. Houses sit collecting dust, sellers are sweating and practically begging to negotiate, and you actually have the luxury of "sleeping on it" before making a decision.
- **A Balanced Market:** The rare real estate unicorn where supply and demand are in harmony. Neither side has total leverage, and reasonable people make reasonable deals.

Key Market Metrics: The Data That Actually Matters

Months of Inventory (Absorption Rate): If not a single new home hit the market today, how long would it take for the current buyer pool to devour the existing inventory?

- **Less than 3 months:** Cutthroat Seller's Market.
- **4–6 months:** Balanced Market.
- **More than 6 months:** Deep Buyer's Market.

Days on Market (DOM): The ticking clock. This measures how long a house sits before someone puts a ring on it and takes it under contract. If the market average is 12 days, and the house you are looking at has a DOM of 84, that house is screaming a story at you. It's either severely overpriced, smells like a wet dog, or has a foundation made of crackers. Your job is to find out why everyone else swiped left before you write an offer.


Mastering Your Local Housing Market: A Buyer's Guide
Decoding Market Dynamics
THE BALANCE OF POWER
SELLER-CONTROLLED
BUYER-CONTROLLED
Low Supply
High Supply
DAYS ON MARKET (DOM)
High DOM indicates a property may have underlying issues or negotiation room.
ABSORPTION RATE
This metric determines how fast the current inventory would sell.
MONTHS OF INVENTORY
LESS THAN 3 MONTHS
Strong Seller's Market
4 – 6 MONTHS
Balanced Market
MORE THAN 6 MONTHS
Buyer's Market
Essential Neighborhood Research
SCHOOL DISTRICT PERFORMANCE
High-rated schools drive property values and offer protection during market downturns.
FEMA FLOOD ZONE RISKS
Properties in high-risk zones require expensive insurance, impacting your monthly budget.
CRIME TRENDS & SAFETY
Check local police data to identify trends beyond the immediate zip code.
NotebookLM

Researching Specific Neighborhoods

Two neighborhoods in the same zip code can have dramatically different price trajectories. Research the following:

- **School Districts:** Even if you don't have kids, highly rated schools drive property values and protect them during downturns.
- **Crime Statistics:** Check local police data for overall rates and trends.
- **Flood Zones:** Properties in FEMA high-risk flood zones require expensive flood insurance.

Touring Homes Like a Professional

Touring homes means bringing both your heart and your head. The heart tells you if you can imagine your life there; the head evaluates the physical condition and the value.

Before the Showing: Do Your Homework

Do not walk into a home showing cold. Review the listing history. Has the price been reduced? Was it previously withdrawn? Look at the property on Google Maps Street View to spot potential dealbreakers (power lines, train tracks) before you even get in the car.

During the Showing: What to Evaluate

The Exterior: Notice the roof condition, the gutters, and the grading. Does water slope away from the foundation?

The Interior: Move methodically. The kitchen and master suite will naturally draw your eye, but the "boring" spaces reveal the most.

- **Ceilings/Walls:** Look for water stains (especially below bathrooms) and horizontal cracks in the foundation.
- **Floors:** Feel for soft spots or bouncing, which can indicate water damage or structural issues.
- **Windows/Doors:** Sticking doors can indicate foundation settling. Fogged double-pane windows mean the seal has failed.
- **Basement:** Look for water staining, a musty smell, or white mineral deposits on the concrete (efflorescence)—all signs of moisture intrusion.

PATRIOT PRO TIP

Major mechanical systems have defined lifespans. Ask about the age of **the HVAC (15-20 years), Roof (20-30 years), and Water Heater (8-12 years). If they are all at the end of their life, factor those replacement costs into your offer.**

The Emotional Component: The Dreamer vs. The Realist

One final note before we go to the next chapter and submit an offer - Let's be brutally honest here, in almost every marriage there is the Dreamer and the Realist. One of you walks through the front door, feels the house *hug* you, and immediately starts mentally arranging the living room furniture and picking out paint colors. The other is wandering the basement with a flashlight, glaring at the water heater, and sweating over the property tax history.

Both roles are completely necessary. The Dreamer ensures you actually love where you live, and the Realist ensures you don't go bankrupt living there.

But when the Dreamer completely takes the wheel before the homework is done, you are on a one-way trip to Regretville. When emotion takes over, you put on rose-colored glasses. Suddenly, a cracked foundation is just "rustic character," and a 30-year-old roof is a charming "vintage feature."

Emotional attachment before due diligence leads to desperate, expensive mistakes that cause a lot of arguments at the dinner table.

This is exactly why you need an objective third party to referee the dynamic. Your agent is your ultimate tie-breaker and emotional bodyguard. A great buyer's agent is the cold bucket of water the Dreamer needs when swooning over a money pit, and the firm push the Realist needs when they are trying to tank a great deal over a minor $300 repair.

The smart and seasoned agent is there to look past the fancy staging, run the hard numbers, and tell both of you straight up when the asking price is a joke or the house is a lemon wrapped in fresh gray paint. Trust that brutal honesty. Ripping off the rose-colored glasses to protect your marriage and your life savings is exactly what you hired your agent to do.

CHAPTER 5

The Offer and Negotiation Period

You've analyzed the market. You have visited the homes. You've reviewed the comps. And... sweetness made complete... you want to put an offer in on a home!

Now it's time to put it all together into an offer contract that gives you the best shot at getting the home—on terms that protect you. Rochelle, your buyer agent, is about to prove her savvy and her worth.

An offer is not just a price. It's a package. The price is the headline, but the terms, the timeline, the contingencies, and the personal touches can be just as influential in whether you win or lose a deal—especially in a competitive market.

The Components of a Purchase Offer

A standard residential purchase contract contains multiple moving parts. Here's what you need to understand about each:

1. Purchase Price This is your opening bid. It should be grounded in your comp analysis, adjusted for market conditions, the actual property conditions, and your personal motivation level. *Never pull a number out of thin air. Ground it in the data.*

2. Down Payment and Financing The contract will specify your loan type, your down payment amount, and your financing contingency details. A larger down payment generally signals financial strength.

3. Earnest Money Deposit (EMD) Your EMD signals how serious you are. A stronger deposit communicates confidence and commitment to the seller. Most EMD amounts are 1% of the purchase price.

4. Option Period - Inspection Contingency Your right to have **Ivan the Inspector** professionally evaluate the home and to negotiate further or walk away based on findings. You will order this as soon as possible once the offer is agreed to.

5. Appraisal Contingency Protects you if **Aaron the Appraiser** determines the home is worth less than the purchase price.

6. Financing Contingency Protects you if your loan falls through with **Ursula the Underwriter**.

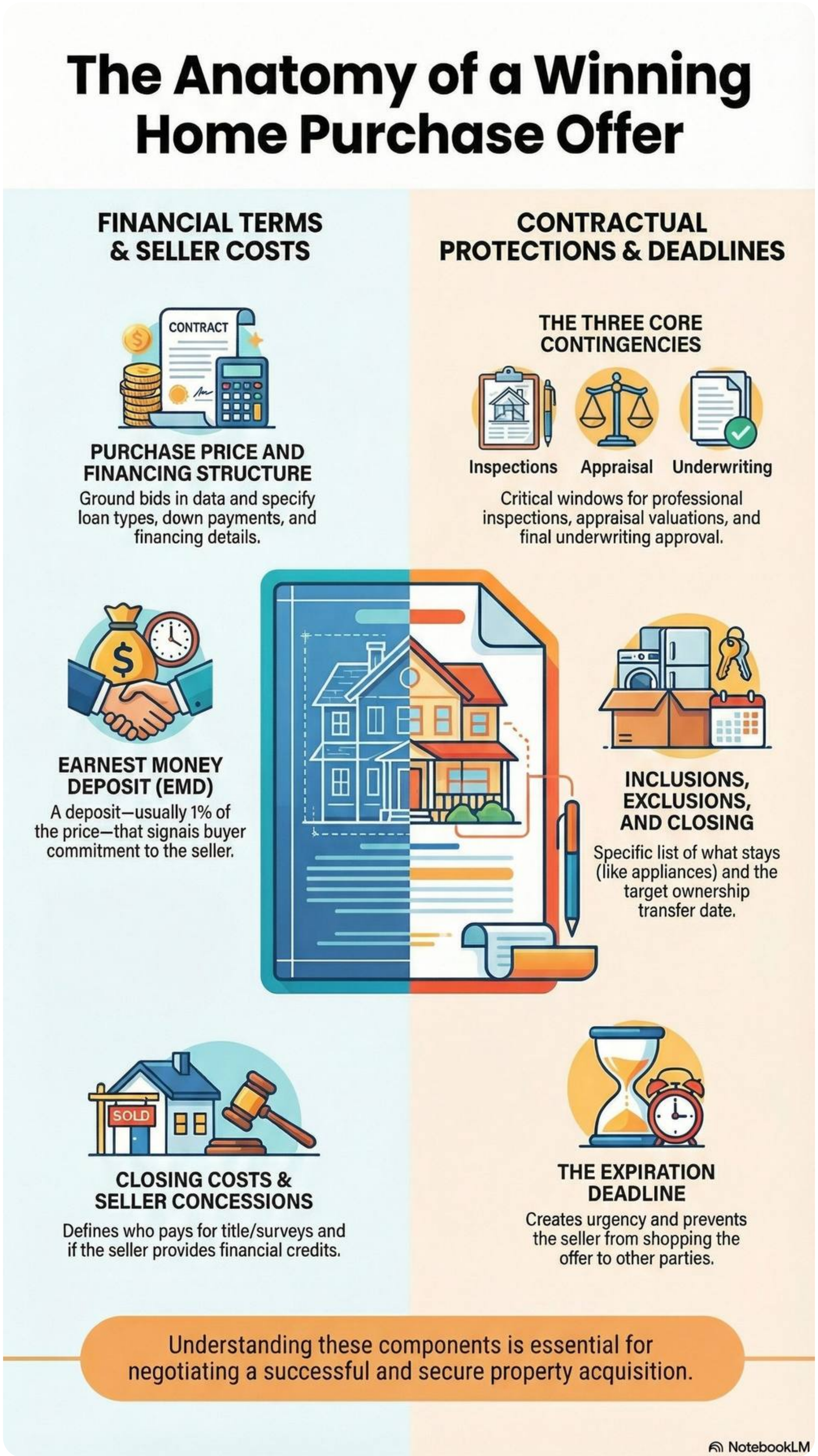
7. Who Pays Certain Expenses - Contracts have blanks to be filled out for who pays the title policy, the survey if necessary, and a first year home warranty policy. Do you or the sellers pay?

8. Closing Date When you want to close with **Terry the Title/Escrow Officer**. This matters more than most buyers realize—and it can be a powerful negotiating tool.

9. Inclusions and Exclusions What stays with the home? Appliances, fixtures, window treatments, that velvet wall-art of dogs playing poker? Be specific. Vague offers create disputes.

10. Seller Concessions Are you asking the seller to pay some of your closing costs? In buyer's markets, this is common. In seller's markets, this can kill your offer.

11. Expiration Date/Time Your offer should have an expiration, typically 24 to 48 hours. This creates urgency and prevents the seller from shopping your offer around indefinitely.



The Art of Pricing Your Offer

Here is a good framework for determining your opening price based on market conditions:

In a HOT Seller's Market (multiple offers expected):

- Start at or above list price.
- Remove or minimize contingencies where you're comfortable doing so.
- Lead with your strongest offer—there may not be a round two.

In a NEUTRAL/Balanced Market:

- Start within 2–5% off the list price if comps support it.
- Leave modest room for one round of negotiation.

- Include standard contingencies—they're expected.
- A reasonable seller concession request (2-3%) is acceptable.

In a BUYER'S Market (slow market, high inventory):

- Comps will often show homes selling at 4–7+% below list.
- You have room to open 5–8% below the list depending on DOM and price reductions.
- Seller concessions for closing costs are very negotiable. Start with the max. Why not?
- Don't be afraid to negotiate—but don't be offensive either.

> **PATRIOT PROTIP**
>
> There's a fine line between a smart low offer and an insulting one. A low **offer backed by solid comps and respectfully presented through Rochelle the Real Estate Agent is a negotiation opener. A lowball with no justification is a relationship-ender. You want the seller annoyed enough to counter, not offended enough to throw your offer in the trash.**

Earnest Money Deposit (EMD)

Let's talk about one of the most misunderstood pieces of the offer puzzle.

What Is Earnest Money?

Earnest money—sometimes called a good faith deposit—is money you put up when you go under contract. It's held in escrow by **Terry the Title/Escrow Officer** and signals to the seller that you're serious.

It is **not** an additional cost. It goes toward your purchase. At closing, it's credited toward your down payment or closing costs. Think of it as pre-paying a portion of money you were already going to bring to the table.

How Much Should You Put Down?

The standard in most markets is about 1% of the purchase price. On a $350,000 home, that's $3,500. In competitive markets, buyers sometimes offer 2-3% to stand out.

What Happens to Your Earnest Money?

This is the question most first-time buyers always ask.

- **If the deal closes:** Your EMD is credited toward your purchase. You get full value for it.
- **If you back out within the option period/ contingency window:** You get your earnest money back. This is the protection your contingencies provide.
- **If you back out without a valid contingency:** This is where it gets painful. If you simply change your mind after your contingencies expire, the seller may be entitled to keep your earnest money as liquidated damages.

PATRIOT PRO TIP

Your earnest money is your "skin in the game." The more you put up, the **stronger your offer looks—but the more you stand to lose if something goes wrong. Know your contingencies. Don't waive protections just to impress a seller unless you fully understand the risk. And usually don't put up more than 1% of the offer price.**

Negotiation Strategies Every Buyer Should Know

Negotiation is not about fighting. It's about problem-solving combined with a fair amount of poker playing. Expect the seller side to play their hand and potentially bluff with counter offers stating things like “we have received another offer since our last conversation”. Maybe it is true, maybe not. But our side can play poker as well. When I represent a buyer, I **ALWAYS** tell the listing agent that my buyers like the home but like another almost as much. I just want to plant the seed that we will pull out if the seller doesn’t negotiate. Hey, it's poker and you have to play.

The Counter-Offer Dance - this ain't the mamba, my friends.

Most negotiations resolve in one to three rounds:

1. You submit an offer and cross your fingers. 2. Seller accepts, says no without countering or gives a counter. 3. You accept the seller's counter or recounter the seller's counter. 4. A deal is reached or the deal collapses.This shouldn't happen if you really like the home.

Practical guidelines for countering:

- *Have the main goal of getting under contract. You can renegotiate later.*
- Don't split the difference automatically. If you offer $380,000 and they counter at $400,000, splitting at $390,000 surrenders money unnecessarily. Counter at $384,000 with a justification.
- Change more than just the price**.** Can you offer a faster closing date in exchange for a price reduction?
- Counter with justification. "Based on comparable sales, we believe $385,000 is fair" is far more powerful than just submitting a number.
- Know your walk-away number before you start.

PATRIOT PROTIP

Before you write an offer, ask Rochelle to call the listing agent with one **goal: find out what the seller needs. Not the price—the situation. What's their timeline? Good agents share this information freely because it helps everyone reach the table with aligned expectations. This intel is gold.**

REALITY BITES

There is power for you as the buyer in offering to close as fast as possible. **I have won deals with my buyers who show they can close in 21 days rather than 30-40 days even though they didn't have the highest price. Speed to close is a distinct advantage for you.**

Contingencies That Protect Buyers

A contingency is a condition that must be satisfied for the sale to proceed. If it isn't met, you have the right to cancel the contract and recover your earnest money. This is your invisible safety net.

Do not let anyone pressure you into waiving contingencies you don't fully understand.

The Three Essential Contingencies

1. The Inspection Contingency Gives you the right to have **Ivan the Inspector** evaluate the property. You can accept it as-is, negotiate repairs, or walk away.

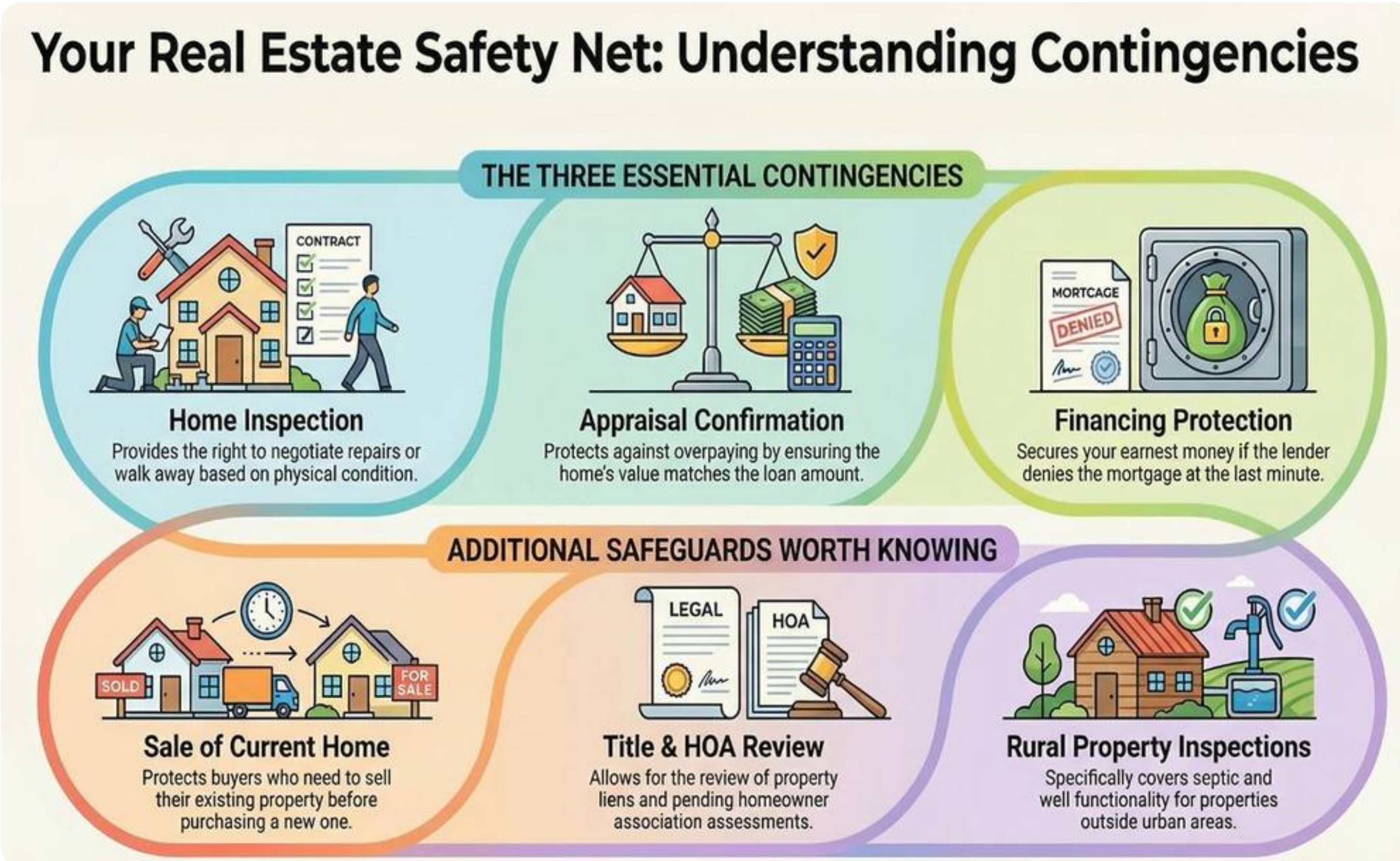
- *What you're giving up if you waive it:* The right to walk away based on physical condition. If you buy it and the roof caves in, you own that problem. So never waive the inspection.

2. The Appraisal Contingency Your lender requires **Aaron the Appraiser** to confirm the home is worth what you're paying. If it appraises low, you have an appraisal gap.

- *What you're giving up if you waive it:* Your protection against overpaying. You are legally obligated to close at the contracted price, meaning you have to bring the cash difference to closing. Rarely ever waive this.

3. The Financing Contingency Protects you if your loan doesn't come through with **Ursula the Underwriter**.

- *What you're giving up if you waive it:* If your loan is denied at the last minute, you could lose your earnest money. Never waive this.



Additional Contingencies Worth Knowing

- **Sale of Current Home Contingency:** If you need to sell before you buy.
- **Title Contingency:** Your right to review the title search for liens.
- **HOA Doc Review Contingency:** Important for discovering pending special assessment
- **Septic and Well Inspection Contingency:** For rural properties.

Winning in a Hot Seller's Market for FTHBs

Multiple offer situations are stressful and fast. But they are winnable.

Before You're Ever in a Multiple Offer Situation

- Be fully pre-approved with **Lawrence the Loan Officer**.
- Have your earnest money ready to wire.

- Have a clear budget ceiling established.

Strengthening Your Offer Beyond Price

- **Larger earnest money deposit:** Signals commitment.
- **Flexible closing date:** Match the seller's needs.
- **Pre-inspection:** Inspect before offering, then waive the contingency. **Genius move!**
- **Appraisal gap coverage:** Promise to cover up to a certain dollar amount above the appraised value. Not recommended for FTHBs.
- **Lender call to listing agent:** Have **Lawrence** proactively call the listing agent directly to vouch for the strength of your file.

When You Lose — And You Might

Here is the hard truth: you might lose an offer for a home or two before you get one. Losing a bidding war feels personal. It isn't. It's data.

Every loss teaches you something. Most buyers who eventually succeed in competitive markets do so because they treat each loss as a learning ground for the next offer.

Super Patriot Pro Tip - Listen to me please, I am now begging you to listen to the single best advice I can extend to you after 20+ years of my own personal buying of homes, lots and negotiating on behalf of hundreds of successful buyers. Here it is - If you really like the home, get the home. Don't try and hold out to get that number in your head that for some reason you won't let go of. I have seen deals lost over a few thousand dollars. And both sides were too proud to simply split the difference and close the transaction. Don't be that guy. Your spouse will not be happy. You won't be happy. And your dog will hate you.

[UPDATE] - This just happened while I was proofreading this section - A borrower I have been preparing to buy a home finally put an offer in on a house. His buyer agent convinced him the home was slightly overpriced. So instead of offering $295K with concessions, his initial offer was $286K with concessions. That was two days ago. Now while reviewing this section of the book, I just received a text from him saying that the sellers went with another offer they received. Ridiculous! The difference in the payment would have been about $45 more per month. But now they are back to the drawing board in an area that has limited inventory. [Absolute true story]

REALITY BITES

Get the house you like under contract as fast as possible! Even if the **agreed upon contract is really not the terms you wanted, it doesn't matter. You can always get out before the option period is over. But use the inspection report then as a 2nd round of negotiations. Doing this gives you 'control the deal' by taking the home off the market and not allowing anyone to sneak in with a better offer. And the above 'Update' scenario of my borrower would never have happened.**


The Most Important Tip on this Book!
Mindset: Prioritize the Property
"Don't Be That Guy."
Losing a bidding war over a few thousand dollars leads to regret and limited inventory.
Don't Lose the Home Over the "Number"
Avoid losing a home you love by holding out for a specific, arbitrary price point.
Small Gaps, Big Losses
$45/month Cost
$9,000 Difference
Dream Home & Regret
Pride Often Kills These Deals
The Strategy: Control the Deal
INSPECTION REPORT
Get Under Contract Fast
Secure the home immediately to take it off the market and block competing offers.
INSPECTION REPORT
Establish Control
Being under contract gives you the power to walk away or negotiate from strength.
Use the Inspection for Round Two
Use the professional inspection report as leverage for secondary negotiations during the option period.
NotebookLM

CHAPTER 6

The 'Under Contract' Period - The Inspection & Appraisal Reports and Your Response

Strong>Congratulations! You're under contract. Now what happens? Well, a lot actually. The moment your agent calls and says, *"They accepted your offer,"* is one of the best feelings you'll experience in this entire process. After the searching, the stress, the competing, and the negotiating — you're under contract! Now take exactly five minutes to celebrate - maybe crack open a Snapple or something bubbly. Then get back to work because here's what most first-time buyers don't realize - *getting your offer accepted is not the finish line. It's the starting gate to a completely new set of challenges.* This is the 'Under Contract' phase and the fun is only beginning.

During this period, you'll navigate a home inspection that might uncover surprises, an appraisal that could challenge your contract price, a mortgage underwriting process that will feel invasive and relentless, begin your home insurance shopping and communicate frequently with Patricia the Processor. All this in an effort to get to the greatest three words you might ever hear - (Not 'I love you' or 'I brought pizza' but) 'Cleared to Close'.

Every one of these steps has the potential to derail your transaction if you don't understand what's happening and why. Every one of them is also completely manageable when you know the playbook.

That's what these next chapters, I will deliver the complete playbook from accepted offer to 'Cleared-to-Close'. I'm pulling back the curtain on every stage, explaining what all our professionals we met earlier are doing behind the scenes, and giving you the knowledge to navigate it all with confidence.

Let's dive into this head-first.

What Happens After Your Offer Is Accepted

The moment your offer is accepted, a clock starts ticking — actually, several clocks start ticking simultaneously. Each contingency in your contract has a specific deadline, and missing any of them can have serious legal and financial consequences.

The Under Contract Escrow Timeline: A Bird's Eye View

While every transaction is unique, here is a typical timeline for a standard 30 day closing:

Milestone Day 1–3 Earnest money deposited into escrow at title company Day 1–7 Inspection(s) scheduled and completed Day 7–10 Inspection response deadline (request repairs, credits, or release)

After Signed Contract

Day 5–10 Appraisal ordered by lender Day 10–21 Appraisal completed and reviewed Day 1–21 Mortgage underwriting in process Day 5–10 Loan conditional approval received Day 15–20 Loan conditions cleared — "Clear to Close" issued Day 20-25 Closing Disclosure issued (required 3 business days before closing)

Day 25–28 Final walkthrough Day 29-30 **CLOSING DAY**

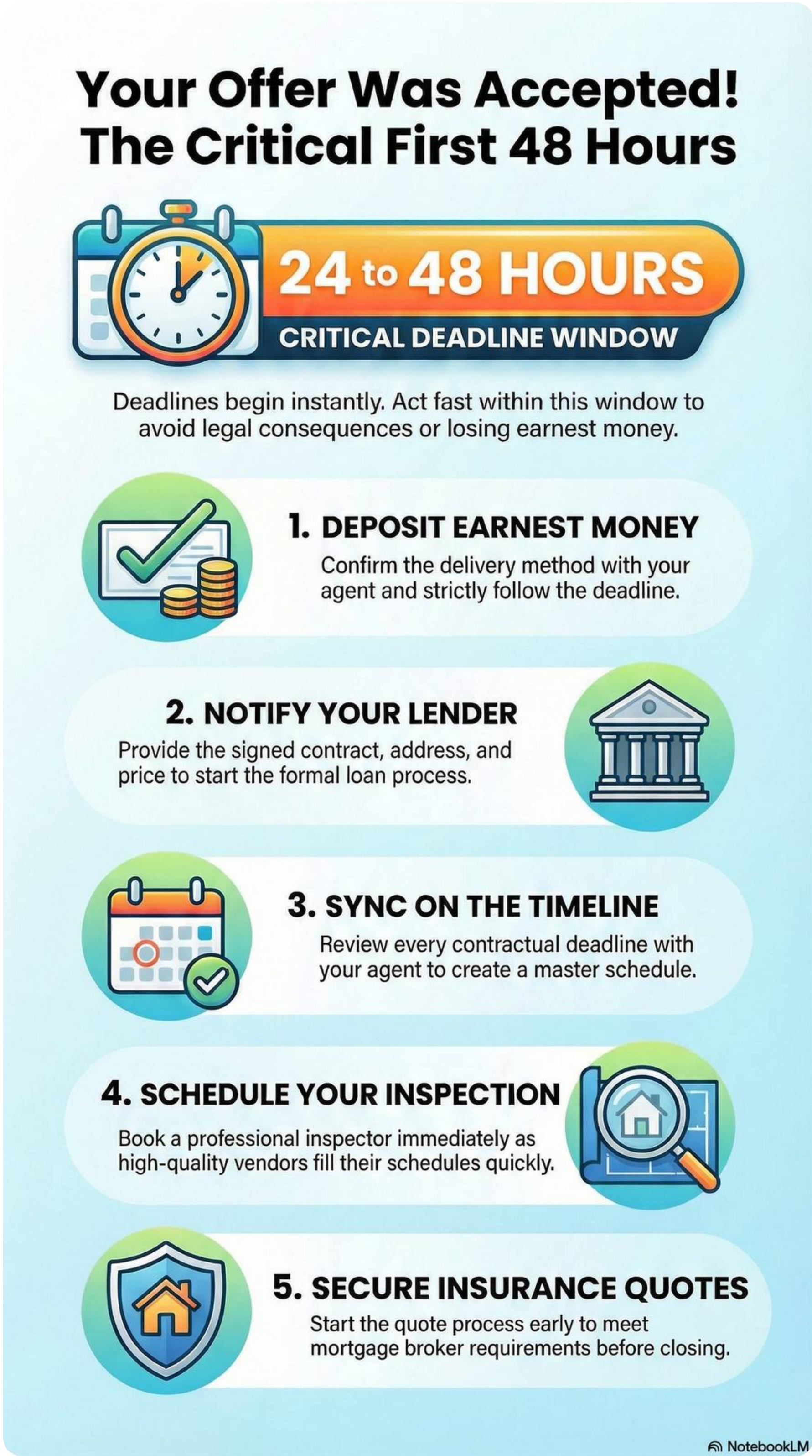
This timeline can compress or expand based on your specific contract terms, your lender's pipeline, local market customs, and a dozen other variables. The key is to understand that every deadline matters and that *your* behavior during this period directly impacts whether you close on time.

Your Immediate To-Do List After Acceptance

Within the first 24 to 72 hours of acceptance, here's what needs to happen: **1. Deposit your earnest money.** Confirm with your agent exactly how, when, and where to send it. Mark the deadline on your calendar and treat it like the most important appointment you have. Terry the Title Rep can tell you if they provide a link for deposit rather than physical delivery. **2. Contact your lender immediately.** Larry the Loan Officer needs to know you're under contract today — not tomorrow. They need the signed purchase contract to formally begin the loan process. Every day you delay is a day of potential underwriting time you're wasting. **3. Schedule your inspection.** Don't wait. Do this actually before delivering the EMD. Good inspectors book up fast. Your agent should have inspector recommendations ready — and you should be scheduling within 24 to 48 hours of acceptance. It is critical to take action on this immediately. **4. Notify your homeowner's insurance agent.** After ordering the inspection, delivering the EMD, contacting your loan officer - start getting insurance quotes. Contact Ignacio the Insurance Agent. Your mortgage broker will require the declarations page of the homeowner's insurance in order for Ursula to factor this into the underwriting decision. In some markets, getting insured can take longer than you expect — especially for older homes, homes in flood zones, or properties in high-risk areas. **5. Review the contract timeline with your agent.** Sit down or zoom with Rochelle the agent — even for 5 minutes — and walk through every deadline in your contract. Know the dates. Know what happens if you miss them. Know who is responsible for what. **Patriot Pro Tip: Create a simple spreadsheet or calendar with every contractual**

deadline clearly marked. Or tattoo it on your forearm if necessary. Share it with your agent and check in on it regularly. Missed deadlines in real estate contracts can result in default — losing your earnest money or worse. Organized buyers close. Distracted buyers scramble. Reality Bites - If it appears you are running out of time on certain contingencies like

the Option Period, *you can negotiate an extension via a signed Amendment* **by all parties. So for example, if it is Day 6 for the contract's Effective Date (date of signing) and you still are waiting on the inspection report, your agent can reach out to the listing agent to negotiate a few more days beyond the original contract agreement of 7 days.**


Your Offer Was Accepted! The Critical First 48 Hours
24 to 48 HOURS
CRITICAL DEADLINE WINDOW
Deadlines begin instantly. Act fast within this window to avoid legal consequences or losing earnest money.
1. DEPOSIT EARNEST MONEY
Confirm the delivery method with your agent and strictly follow the deadline.
2. NOTIFY YOUR LENDER
Provide the signed contract, address, and price to start the formal loan process.
3. SYNC ON THE TIMELINE
Review every contractual deadline with your agent to create a master schedule.
4. SCHEDULE YOUR INSPECTION
Book a professional inspector immediately as high-quality vendors fill their schedules quickly.
5. SECURE INSURANCE QUOTES
Start the quote process early to meet mortgage broker requirements before closing.
NotebookLM

The Home Inspection Process

The home inspection is your opportunity to truly understand what you're buying. Not the staging, not the fresh paint, not the carefully curated listing photos — the actual, physical condition of the property from foundation to roof.

This is one of the most valuable steps in the entire home buying process, and it is chronically underappreciated by first-time buyers who treat it as a formality. Only It is not a formality. It is intelligence gathering.

What a Home Inspection Is (And What It Isn't)

A home inspection is a **visual examination** of the accessible, observable systems and components of a property conducted by a licensed or certified professional. The inspector will examine:

- **Foundation and structure** — walls, floors, ceilings, visible framing
- **Roof** — condition, age, flashings, gutters, downspouts
- **Exterior** — grading, drainage, siding, windows, doors
- **Electrical system** — panel, wiring, outlets, safety devices
- **Plumbing** — supply lines, drains, water heater, visible fixtures
- **HVAC systems** — heating, cooling, ductwork, filters
- **Insulation and ventilation** — attic, crawlspace where accessible
- **Interior** — doors, windows, stairs, railings, visible surfaces
- **Garage** — doors, opener, structure

What a home inspection is **not:**

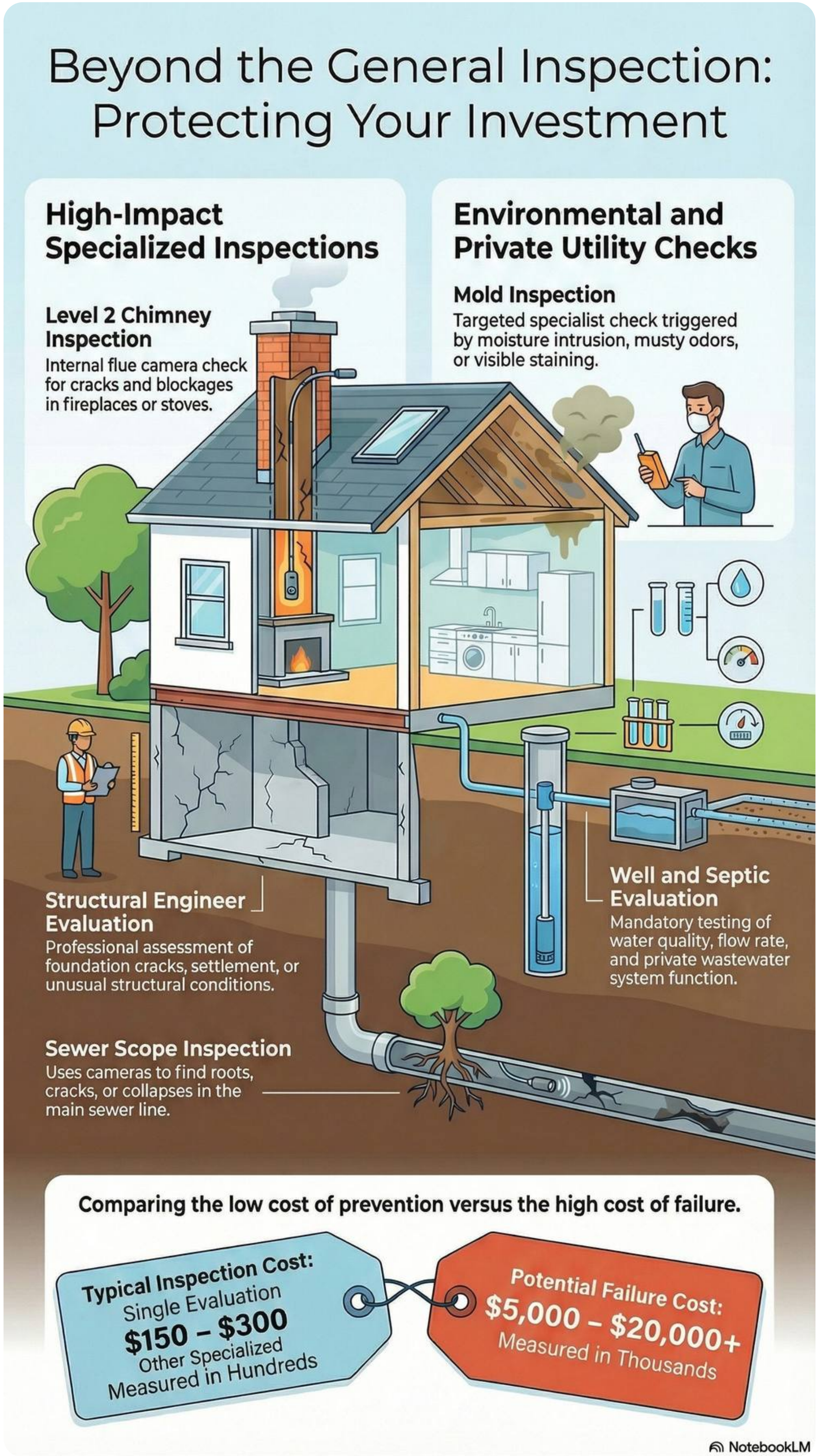
- An **appraisal** — it does not determine value
- A **code compliance inspection** — it's not a municipal inspection

- A **specialist's report** — it doesn't replace a licensed electrician, plumber, roofer, or structural engineer
- **Invasive** — the inspector cannot open walls, move furniture, or access areas that are locked or inaccessible

The inspection report documents what is visible and accessible on the day of the inspection. It is a snapshot in time, not a warranty.

Choosing the Right Inspector

Don't sweat this too much. Ask your agent or your mortgage broker. Both of these professionals will have recommendations. The main thing here is the turn-time from start to finished report. Yes, you will be paying this upfront. The inspection costs are not part of the closing costs. Boo! **Reality Bites: You can go to the inspection. But get there towards the last half-hour of the job. Most inspectors take at least 3 hours to review everything and don't want a tag-along asking questions the entire way. But by getting there at the end, most inspectors will give you a nice verbal summary of their findings. Specialized Inspections: When You Need More Than the Generalist** Depending on the property, you may need additional specialized inspections beyond the general home inspection. Your contract should have a broad enough inspection contingency window to accommodate these, or you should have them done simultaneously with the general inspection.


Beyond the General Inspection: Protecting Your Investment
High-Impact Specialized Inspections
Level 2 Chimney Inspection
Internal flue camera check for cracks and blockages in fireplaces or stoves.
Environmental and Private Utility Checks
Mold Inspection
Targeted specialist check triggered by moisture intrusion, musty odors, or visible staining.
Structural Engineer Evaluation
Professional assessment of foundation cracks, settlement, or unusual structural conditions.
Well and Septic Evaluation
Mandatory testing of water quality, flow rate, and private wastewater system function.
Sewer Scope Inspection
Uses cameras to find roots, cracks, or collapses in the main sewer line.
Comparing the low cost of prevention versus the high cost of failure.
Typical Inspection Cost:
Single Evaluation
$150 – $300
Other Specialized
Measured in Hundreds
Potential Failure Cost:
$5,000 – $20,000+
Measured in Thousands
NotebookLM

PATRIOT PRO TIP

Think of specialized inspections as cheap insurance. The cost of a sewer scope or radon test is measured in hundreds of dollars. The cost of discovering these problems after you've closed is measured in thousands. Reality Bites - I represented a buyer who had a sewer inspection performed aside from the general inspection. The report came back showing cracks and missing pieces in the cast-iron sewer pipe running under the home and to the street. Given this more detailed intel not on general inspection, he backed out without sacrificing the earnest money.

Reading the Inspection Report Hear me now and believe me next week...when you go over the inspection report, you will freak out and want to abandon the purchase attempt. The report can scare you worse than 'Halloween 2'. Trust me, I have seen this over and over. Your agent should prepare you for this. This is because Ivan the Inspector will deliver a detailed, photo-documented, all-encompassing report showing every crack, drip, out of code wire, poorly insulated attic space, faulty window latch, etc..that you bypassed because you were in love with floor-plan and master bath. Fear not! Modern reports are often organized by severity. Here's how to read it strategically:

1. **Safety hazards** — Items that pose immediate risk to occupants. Examples: no GFCI outlets near water sources, missing stair railings, exposed wiring, carbon monoxide or fire hazards. These are always addressed, always. 2. **Major systems and structural issues** — Roof age and condition, HVAC condition and remaining life, water heater age, foundation concerns, plumbing system condition, electrical panel issues. These are high-dollar items that affect livability and financing. FHA loans might compel these to be fixed before closing. 3. **Deferred maintenance** — Things that need attention but aren't emergencies. Peeling paint, failing caulk, minor drainage improvements, weatherstripping. These are informational — note them, address them over time, but don't blow up a deal over a caulk issue.

Ignore nothing, but prioritize ruthlessly. Your inspection response should focus on what genuinely matters — not every item on a 40-point report. Your buyer agent will help you.

Negotiating Repairs and Seller Credits

The inspection is done. The report is in your hands. Now you have to decide what to do with it.

And luckily, since you are consuming this book like a starved refugee, you remember that the Mortgage Patriot told you that ***this is where you can begin a 2nd round of negotiations***

So this initially feared report now becomes your best friend. It becomes the means of renegotiation on the home. But how you handle it can either strengthen your deal or detonate it.

Your Three Core Negotiation Options

Option 1: Request Repairs You ask the seller to complete specific repairs before closing using licensed contractors. You typically verify completion with receipts and a final walkthrough.

Best for: Safety items, clear liability issues, things that need to be fixed for the home to be livable or financeable.

Risk: You don't control quality. A seller who resents the request may hire the cheapest contractor available and do minimum-quality work. You inherit that workmanship.

Option 2: Request a Price Reduction You ask the seller to reduce the purchase price by the estimated cost of repairs, and you handle them after closing.

Best for: Larger repairs where you want control over the quality and timing of work. Also useful when you have contractor relationships and can get work done for less than market rate.

Risk: In a financed transaction, a price reduction affects your loan amount — which could mean your lender recalculates your payment and reserves. Confirm the impact with your lender.

Option 3: Request a Closing Cost Credit You ask the seller to give you a credit at closing — money applied toward your closing costs — in lieu of repairs. This is effectively cash back to you at the closing table.

Best for: Situations where a price reduction might create financing complications, or where you simply want the flexibility to choose when and how repairs are done. Also attractive to sellers because they're not doing any work.

Risk: Credits have lender limits. Your lender will cap the total seller concessions you can receive based on your loan type and down payment. Confirm the maximum allowable credit with your lender before requesting it.

How to Frame Your Repair Request: Don't Be That Buyer

Your inspection response isn't a wish list to Santa; it is a tactical, formal business communication. Here is how to approach it like a seasoned pro instead of a terrified amateur:

- **Be a rifle, not a shotgun.** If you send the seller a 35-item list complaining about chipped paint, squeaky hinges, and loose doorknobs, you look completely unreasonable and practically invite the seller to tell you to take a hike. Handing them a focused, reasonable list of 5 major, material items shows you are a serious buyer who did their homework.
- **Bring the receipts.** Don't just whine about a leaky pipe. Attach the specific pages from **Ivan the Inspector**'s report, include the terrifying photos, and slap a real contractor's estimate right on top of it. A repair request backed by hard evidence is incredibly hard for a seller to dismiss.

- **Name your price.** Vague requests get vague rejections. "We'd like the seller to address the items noted in the inspection report" is a weak, amateur move. "We are requesting a $6,500 closing cost credit based on the contractor estimate to replace the dying HVAC system and the crushed sewer line" is a power move.

- **Know your floor before you fight.** If you ask for $8,000 and they counter with $5,000, are you walking away or taking the deal? Decide your absolute bottom line *before* you send the request so you don't make an emotional, knee-jerk decision in the heat of the moment.

When the Seller Says No (And They Will)

Sometimes sellers push back hard on inspection requests—especially in competitive markets or if they feel they already bled for you on the purchase price. Here is how you handle the pushback without blowing up the transaction:

- **Put the dogs on a leash.** Don't immediately escalate or throw a tantrum. Have **Rochelle the Real Estate Agent** pick up the phone, call the listing agent, and find out *why* they are saying no. There may be flexibility on the big items if you are willing to let the small items go.
- **Separate the deal-breakers from the nice-to-haves.** If the seller refuses to fix a $300 caulking job in the master bath but agrees to drop $4,000 to upgrade a dangerous electrical panel, take the win! Buy your own caulk at Home Depot and celebrate. Don't let a minor disagreement nuke a major milestone.
- **Keep the nuclear launch keys in your pocket.** Your inspection contingency is your ultimate leverage. If the seller refuses to fix a major structural issue and you aren't willing to take on that massive risk, turn the key, cancel the contract, and get your earnest money back. Honor that right—but use it as a legitimate final boundary, not a casual

threat every time you don't get your way.

PATRIOT PRO TIP

The best inspection negotiations happen when everyone remembers they actually want the exact same thing: a closed transaction. The seller wants to sell. You want to buy. The findings from Ivan the Inspector are just data points to be solved. Keep your emotions in check, stay reasonable, and keep your eyes on the closing table.

REALITY BITES

- Most deals fall apart in this inspection phase for all the reasons I just outlined. Your agent is pivotal here in keeping an open and professional relationship with the listing agent. This is a negotiating balancing act - the agent must be partly tactical and part poker player judging the sellers and listing agent's actions and responses.

The Home Appraisal Process: The Bank's BS Detector

While you and Rochelle the Real Estate Agent have been sweating over Ivan the Inspector's report, Lawrence the Loan Officer has been quietly ordering one of the most consequential steps in your entire financing journey: the appraisal.

Understanding this process—what appraisers do, how they determine value, and what happens when the math doesn't work—is absolute mandatory knowledge for any buyer.

What Exactly Is a Home Appraisal?

A home appraisal is an independent, heavily regulated, professional opinion of a property's true market value, conducted by Aaron the Appraiser.

Why does the lender care so much? Think of it from their perspective: the house is the collateral. If they lend you $400,000 on a home that is actually only worth $350,000, and you stop paying your mortgage, the bank is going to lose $50,000 when they foreclose and sell it. They aren't in the business of losing money. The appraisal protects the lender—and coincidentally, it acts as a massive financial shield protecting you from overpaying.

Who Pays for Aaron the Appraiser?

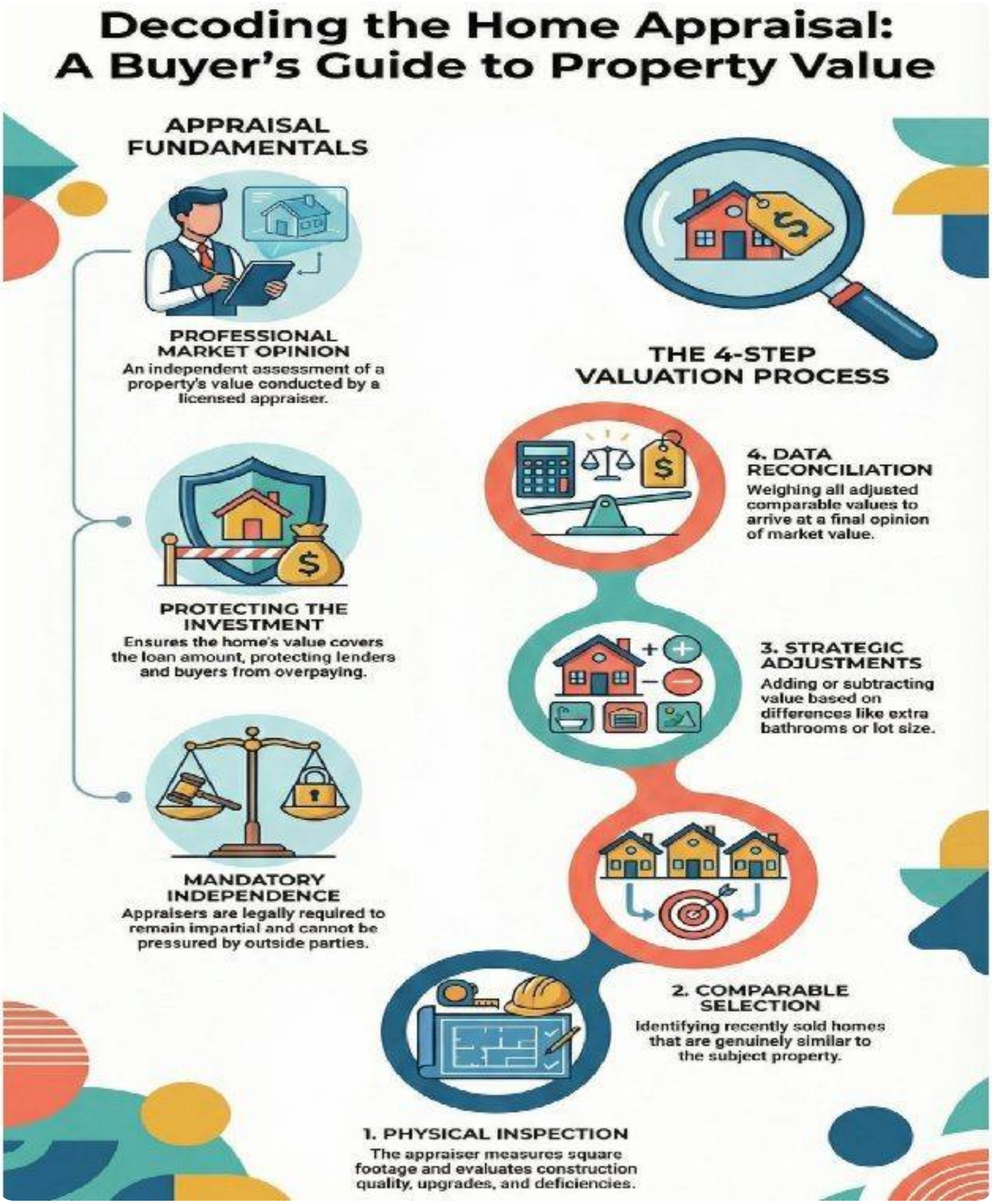
You do. Pull out your credit card. Most residential appraisals run between $600 and $800 for a standard single-family home (though complex properties or rural estates can cost more). This fee is typically paid right when Lawrence orders the appraisal. It is your cost, not the seller's—and yes, you still have to pay it even if the deal completely falls apart the next day. It's simply the cost of doing business in real estate.

How the Appraiser Determines the Value

Aaron uses the same fundamental tool Rochelle used when helping you write your offer: comparable sales (comps). But Aaron applies a rigid, highly regulated formula to those comps. He is the ultimate neutral umpire; he doesn't care about the seller's greed, and he doesn't care how much you love the kitchen island.

Here is Aaron's playbook:

- **The Inspection:** He physically walks the property, measures the actual square footage, and notes the condition, quality of construction, upgrades, and glaring deficiencies.
- **The Comps:** He identifies recently sold homes in the immediate area that are genuinely similar to your target house.
- **The Adjustments:** He adds or subtracts value like a math professor. If a comp has a finished basement and yours doesn't, he subtracts value. If yours has a three-car garage and the comp only has two, he adds value.
- **The Reconciliation:** He weighs all the adjusted data and stamps a final opinion of value on the report.



The Appraisal Report: What You'll Actually See

When the report is done, Lawrence will send you a copy. It's usually a massive document built around a form called the URAR (Uniform Residential Appraisal Report).

You don't need to read all 30 pages, but you do need to look at two things: the final number, and the property condition notes. If Aaron flags a safety hazard, a damaged roof, or peeling paint (especially on an FHA or VA loan), Ursula the Underwriter is going to slam on the brakes. She will demand those specific items be repaired by the seller before she ever clears your loan to close.

Code Red: When the Appraisal Comes in Low

The "Appraisal Gap." It is one of the most heart-stopping moments in real estate. You offered $400,000, but Aaron says the house is only worth $380,000. Lawrence cannot lend you a dime over $380,000. Here is your 5-step tactical battle plan:

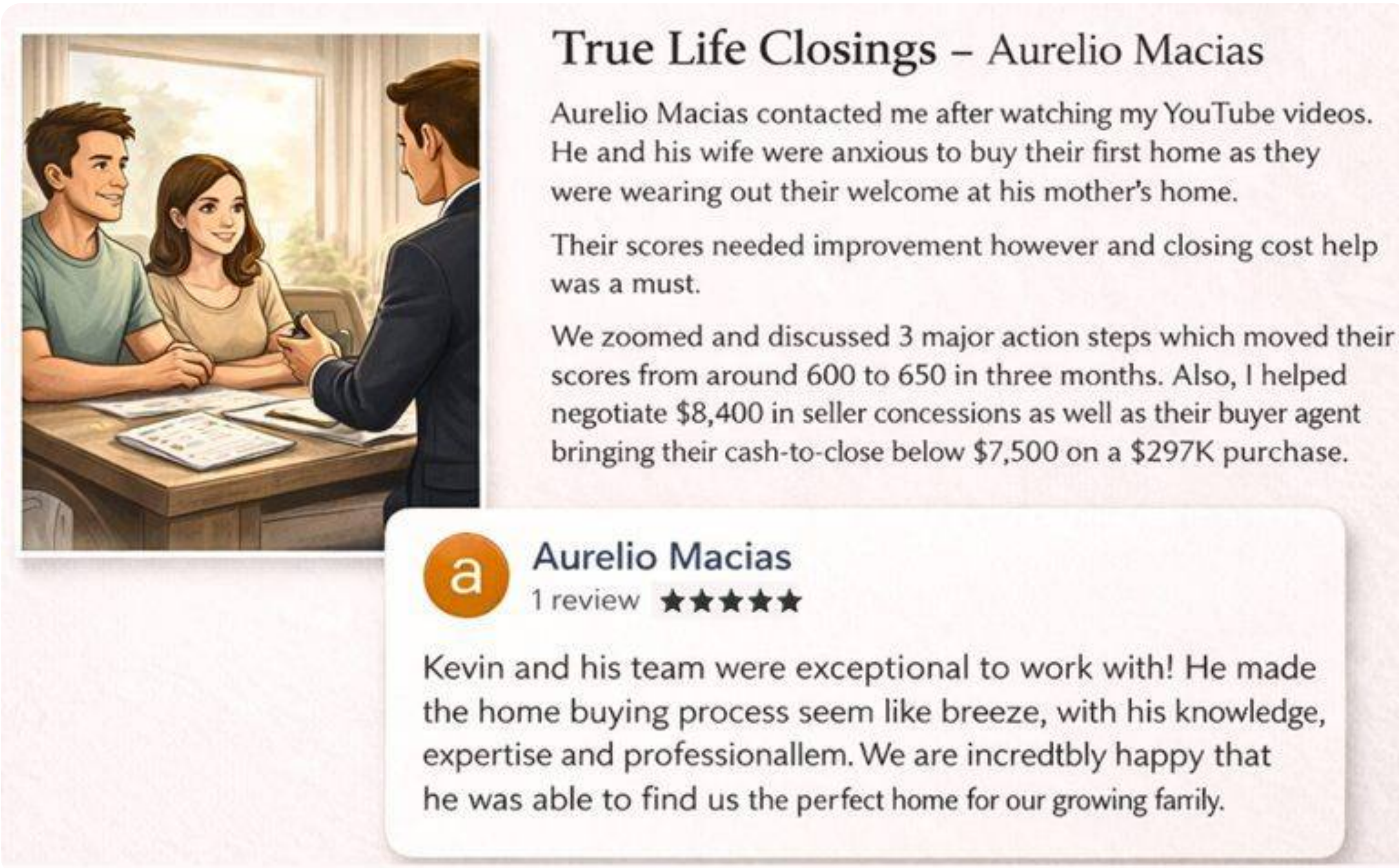
- **Step 1:** Check the Tape. Review the report carefully with Rochelle. Did Aaron miss a massive, recent comp right around the corner? Appraisers are professionals, but they are human.
- **Step 2:** Challenge the Call (The ROV). If you and Rochelle find genuinely superior comps that Aaron missed, Lawrence can file a formal "Reconsideration of Value" (ROV). You are basically asking the umpire to check the instant replay. Aaron has to review the new data, but beware—he is not obligated to change his mind.
- **Step 3:** Squeeze the Seller. If the value doesn't change, Rochelle goes back to the listing agent. The message is simple: *The bank has spoken. The house isn't worth what you are asking.* Faced with losing the deal entirely and having to put the house back on the market with a proven low value, many sellers will drop the price to match the appraisal.
- **Step 4:** Eat the Gap (Proceed with Caution). If the seller refuses to budge, and you absolutely *must* have the house, you can bring the difference in cash to the closing table. In the example above, you'd get a loan based on the $380,000 value, and pull $20,000 out of your own savings to cover the gap. Only do this if you have deep pockets and plan to stay in the house a long time.
- **Step 5:** Pull the Ripcord. If the seller won't negotiate, and you aren't willing to burn your own cash to cover their fantasy price, exercise your appraisal contingency. Cancel the contract, get your earnest money back, and walk away clean.

REALITY BITES

A low appraisal feels like a disaster, but often it is actually an opportunity. Sometimes it is the brutal truth cutting through the seller's inflated ego. And it can frequently help you by introducing another round of negotiations (Round 3). From my experience, 9 times out of 10 the seller will capitulate by reducing the price.

¿Comprende mi amigo? Muy bien.

Here is another True Life Closing success story…



Let's continue to the next chapter while we are still 'Under Contract' and focus on the loan and underwriting side while touching on the need for a home warranty policy as well.

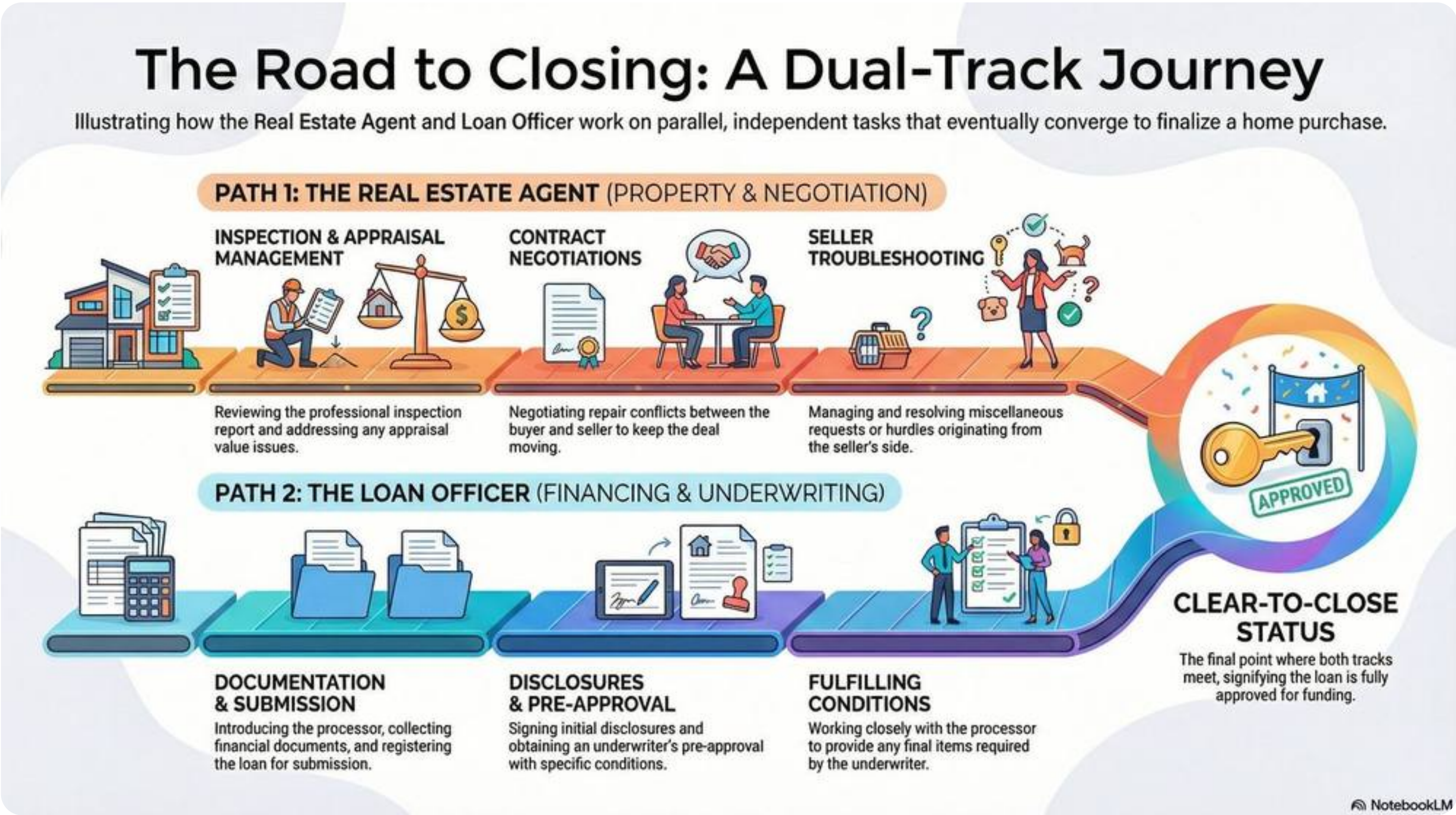
CHAPTER 7

The 'Under Contract' Period - The Loan and Underwriting Track & Home Warranty

When all parties signed the purchase contract, you jumped into motion with the action steps provided in the previous chapter. One of which was contacting Larry the Loan Officer right away.

Awesome Job! And this set in play the 'dual track' of the loan origination efforts and underwriting phase coinciding with the inspection and appraisal phase we just educated you on.

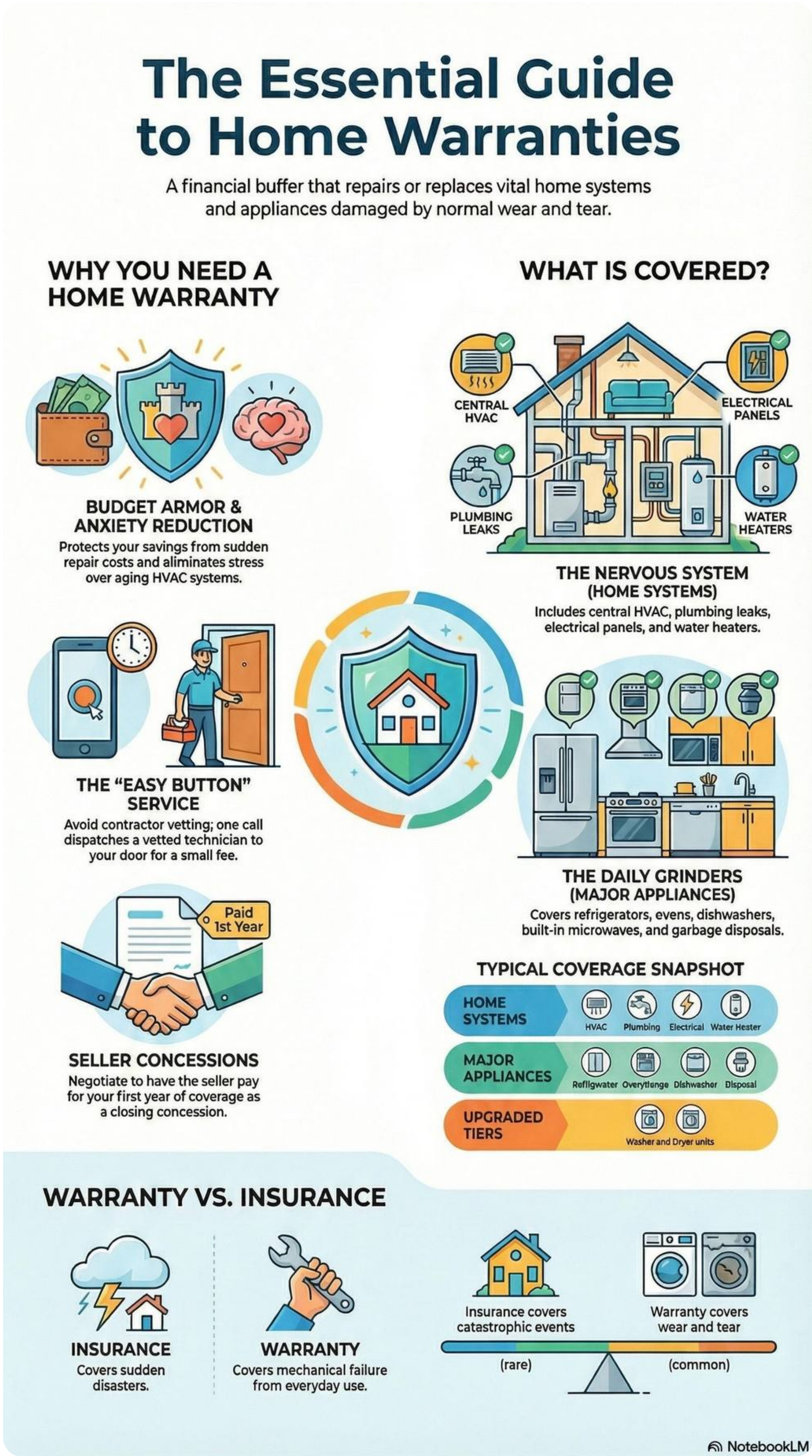
Picture both your buyer agent and your mortgage broker performing tasks on separate conveyor belts that come together at the end. Rochelle the real estate agent assisted greatly in getting you under contract and will be reviewing the inspection report, negotiating any repair conflicts and or appraisal issues and trouble-shooting miscellaneous seller requests. Meanwhile, Larry the loan officer has received your signed purchase agreement and is starting the loan process.



The Home Warranty: Your Post-Closing Flak Jacket

Ok, you are on the dual track of real estate and loan origination actions during this 'Under Contract' phase. Here is another very important action step you must take...identifying a home warranty policy to cover your new home. Because buying a home is a massive financial commitment and you can't afford breakdowns in your home's systems just as you move in.

Enter the **Home Warranty**. It acts as your financial buffer—a service contract specifically designed to repair or replace the vital home systems and appliances that inevitably break down from normal wear and tear. Here is exactly why you want one, and what it actually covers.


The Essential Guide to Home Warranties
A financial buffer that repairs or replaces vital home systems and appliances damaged by normal wear and tear.
WHY YOU NEED A HOME WARRANTY
BUDGET ARMOR & ANXIETY REDUCTION
Protects your savings from sudden repair costs and aliminates stress over aging HVAC systems.
THE "EASY BUTTON" SERVICE
Avoid contractor vetting; one call dispatches a vetted technician to your door for a small fee.
Paid 1st Year
SELLER CONCESSIONS
Negotiate to have the seller pay for your first year of coverage as a closing concession.
WHAT IS COVERED?
CENTRAL HVAC
ELECTRICAL PANELS
PLUMBING LEAKS
WATER HEATERS
THE NERVOUS SYSTEM (HOME SYSTEMS)
Includes central HVAC, plumbing leaks, electrical panels, and water heaters.
THE DAILY GRINDERS (MAJOR APPLIANCES)
Covers refrigerators, evens, dishwashers, built-in microwaves, and garbage disposals.
TYPICAL COVERAGE SNAPSHOT
HOME SYSTEMS
HVAC
Plumbing
Electrical
Water Hester
MAJOR APPLIANCES
Refllgwater
Overytlenge
Dlshwashor
Dlsposal
UPGRADED TIERS
Washer and Dryer units
WARRANTY VS. INSURANCE
INSURANCE
Covers sudden disasters.
WARRANTY
Covers mechanical failure from everyday use.
Insurance covers catastrophic events
Warranty covers wear and tear
(rare)
(common)
NotebookLM

Why Do You Need a Home Warranty?

- **Budget Armor:** You are cash-poor right after closing. A warranty prevents a blown water heater from putting you into high-interest credit card debt during your first year of homeownership.
- **Anxiety Reduction: Ivan the Inspector** probably told you that the HVAC system is 14 years old and living on a prayer. A warranty takes the anxiety out of wondering when it's finally going to flatline. Let it die; you're covered.
- **The "Easy Button":** When the fridge stops making ice, you don't have to spend three hours on Google reading reviews and trying to vet a reliable contractor in a brand-new neighborhood. You make one phone call, pay a small fee, and the warranty company dispatches a contracted technician to your door.
- **Make the Seller Pay:** This is the best part. In a balanced or buyer's market, **Rochelle the Real Estate Agent** can often negotiate to have the seller foot the bill for the first year of your home warranty as a closing concession. That equals 12 months of totally free protection.

What Does It Actually Cover?

Home warranty companies offer different tiers, but a standard, comprehensive policy typically covers the two main categories that keep homeowners awake at night: **Home Systems** and **Major Appliances**.

The Nervous System (Home Systems)

- **HVAC:** Central air conditioning and heating systems.
- **Plumbing:** Leaks and breaks in water lines, drain lines, toilets, and sump pumps.
- **Electrical:** Main breaker panels, indoor wiring, and standard wall outlets/switches.
- **Water Heater:** The tank (or tankless unit) and its core components.

The Daily Grinders (Major Appliances)

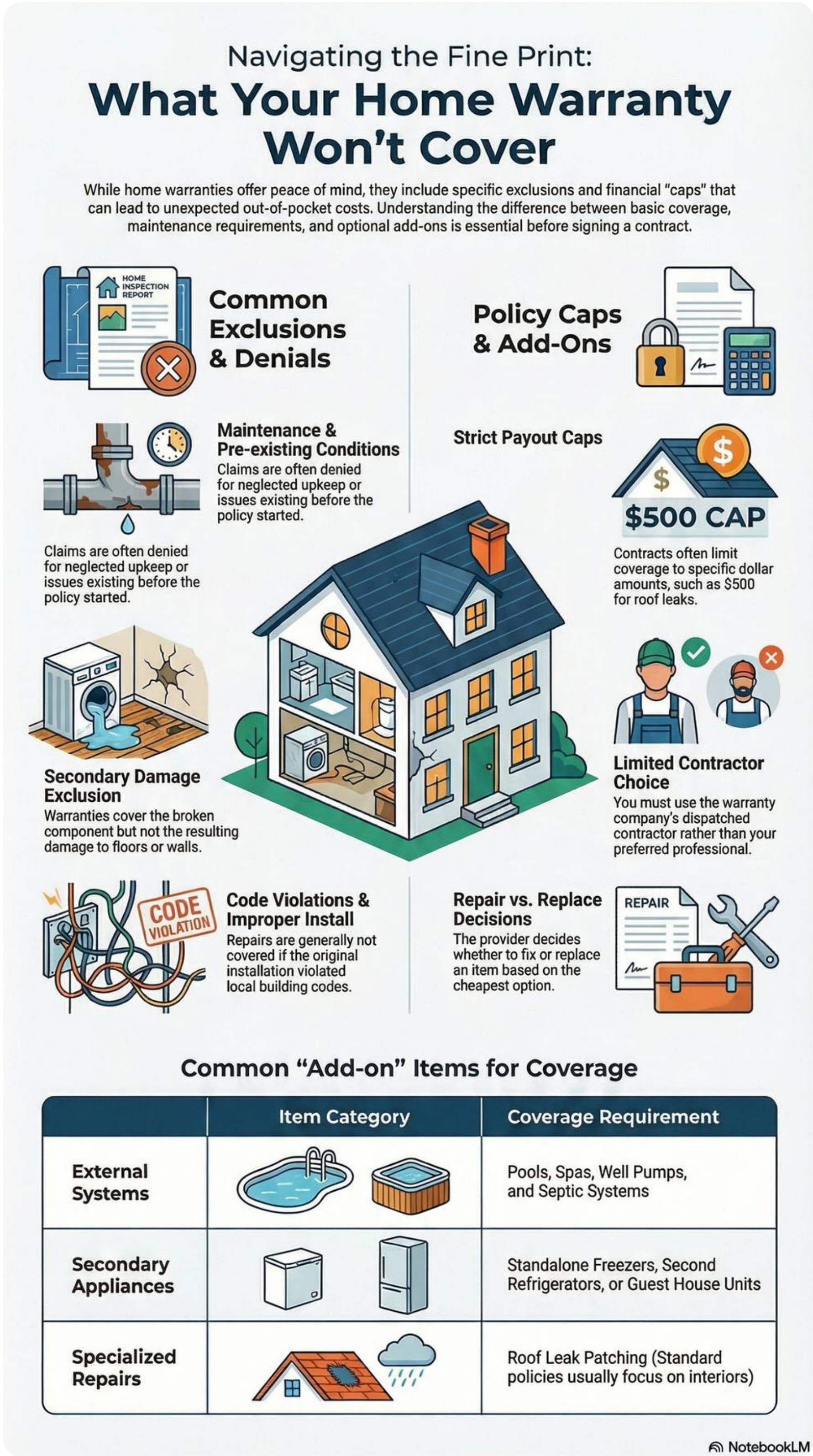
- Refrigerator
- Oven, range, and cooktop
- Dishwasher
- Built-in microwave

- Garbage disposal
- Washer and dryer *(Note: These are sometimes grouped into an "upgraded" plan tier, so check the fine print!)*

A home warranty is **NOT** homeowners insurance. Insurance protects you from sudden disasters while the warranty protects you from mechanical failures.

PATRIOT PROTIP

Always **negotiate for the home warranty coverage in your initial offer. Generally, the cost of these policies range from $500 to $600 for the first year. There is a dedicated area in the purchase contract to insert an amount that you are asking the seller to cover so I** ***always*** **insert $500 for the seller to pay towards the home warranty's first year's coverage. If the seller marks through it, so be it. Simply add it to your closing costs and receive the coverage at closing.**


Navigating the Fine Print:
What Your Home Warranty Won't Cover
While home warranties offer peace of mind, they include specific exclusions and financial "caps" that can lead to unexpected out-of-pocket costs. Understanding the difference between basic coverage, maintenance requirements, and optional add-ons is essential before signing a contract.
HOME INSPECTION REPORT
Common Exclusions & Denials
Policy Caps & Add-Ons
Maintenance & Pre-existing Conditions
Claims are often denied for neglected upkeep or issues existing before the policy started.
Claims are often denied for neglected upkeep or issues existing before the policy started.
Strict Payout Caps
$500 CAP
Contracts often limit coverage to specific dollar amounts, such as $500 for roof leaks.
Secondary Damage Exclusion
Warranties cover the broken component but not the resulting damage to floors or walls.
Limited Contractor Choice
You must use the warranty company's dispatched contractor rather than your preferred professional.
CODE VIOLATION
Code Violations & Improper Install
Repairs are generally not covered if the original installation violated local building codes.
Repair vs. Replace Decisions
The provider decides whether to fix or replace an item based on the cheapest option.
REPAIR
Common "Add-on" Items for Coverage
Item Category
Coverage Requirement
External Systems
Pools, Spas, Well Pumps, and Septic Systems
Secondary Appliances
Standalone Freezers, Second Refrigerators, or Guest House Units
Specialized Repairs
Roof Leak Patching (Standard policies usually focus on interiors)
NotebookLM

The Fine Print: What Your Warranty Won't Touch

While a home warranty is a fantastic post-closing flak jacket, it is absolutely notorious for its fine print. It is not a magic wand that fixes every single thing that goes wrong in your house. You need to know exactly where the armor ends and your wallet begins.

Here are the most common "gotchas," exclusions, and limitations you need to look out for when reading a home warranty contract.

The Standard Exclusions (Claim Denied)

- **Pre-Existing Conditions:** Warranty companies are not charities. If an appliance or system was already on life support before your policy started, they will not cover it. In fact, if you file a claim in your first month, they will often demand a copy of **Ivan the Inspector's** report to verify you didn't buy a broken house and try to make them pay for it.
- **The Neglect Clause (Lack of Maintenance):** If your AC unit dies because the previous owner didn't change the air filter for three years, or the water heater rusts out because it was never flushed, your claim will likely be denied. Warranties cover normal wear and tear, not blatant abuse.
- **Uncle Bob's DIY Disasters:** If a previous owner watched a YouTube video, bypassed local building codes, and duct-taped a system together incorrectly, the warranty company will take one look at that mess and void the claim.
- **Cosmetic Issues & Ice Makers:** Dents, scratches, and missing knobs aren't covered. If the fridge still keeps your beer cold, they don't care if it looks like it survived a demolition derby. (Side note: Built-in ice makers are universally infamous for breaking, and many base-level warranties explicitly exclude them).
- **Secondary Damage:** This is a crucial distinction. If a plumbing pipe bursts inside your wall, the warranty company will send a plumber to fix the actual pipe. But they will *not* pay to replace the drywall, the ruined hardwood floors, or your flooded cabinets. (That massive collateral damage is exactly where your Homeowners Insurance steps in).

The "Gotcha" Limitations

- **The Invisible Ceiling (Payout Caps):** Read the contract limits! Most policies place strict dollar caps on what they will pay per item, per year. If your policy caps refrigerator replacements at $2,000, and you want a $3,500 smart-fridge, you are paying that $1,500 difference out of your own pocket.

- **The Band-Aid Approach (Repair vs. Replace):** You do not get to decide whether an item is repaired or replaced. The warranty company holds all the cards, and they will

- almost *always* opt for the cheapest possible fix. They will happily keep putting Band-Aids on a 15-year-old washing machine to keep it barely breathing rather than buying you a new one.
- **Contractor Roulette:** You generally cannot hire your preferred, highly-rated local plumber. You must use the third-party contractor the warranty company dispatches from their specific network.

The "A La Carte" Menu (Optional Add-Ons)

Standard policies usually draw a hard line at the four walls of the primary home. If you want to protect the extras, you have to pay extra. You will need to buy specific "add-on" coverage to protect things like:

- Swimming pools and hot tubs
- Well pumps and septic systems
- Standalone chest freezers or the second fridge in the garage
- Guest houses or casitas
- Roof leak patching

Mortgage Patriot Tip - Never buy a home warranty blindly. Request to see the sample policy *before* you or Rochelle agree to a specific company. Flip straight to the section titled "Exclusions" to see exactly which specific components of the HVAC or plumbing network they refuse to touch. Know the rules of engagement before you sign.

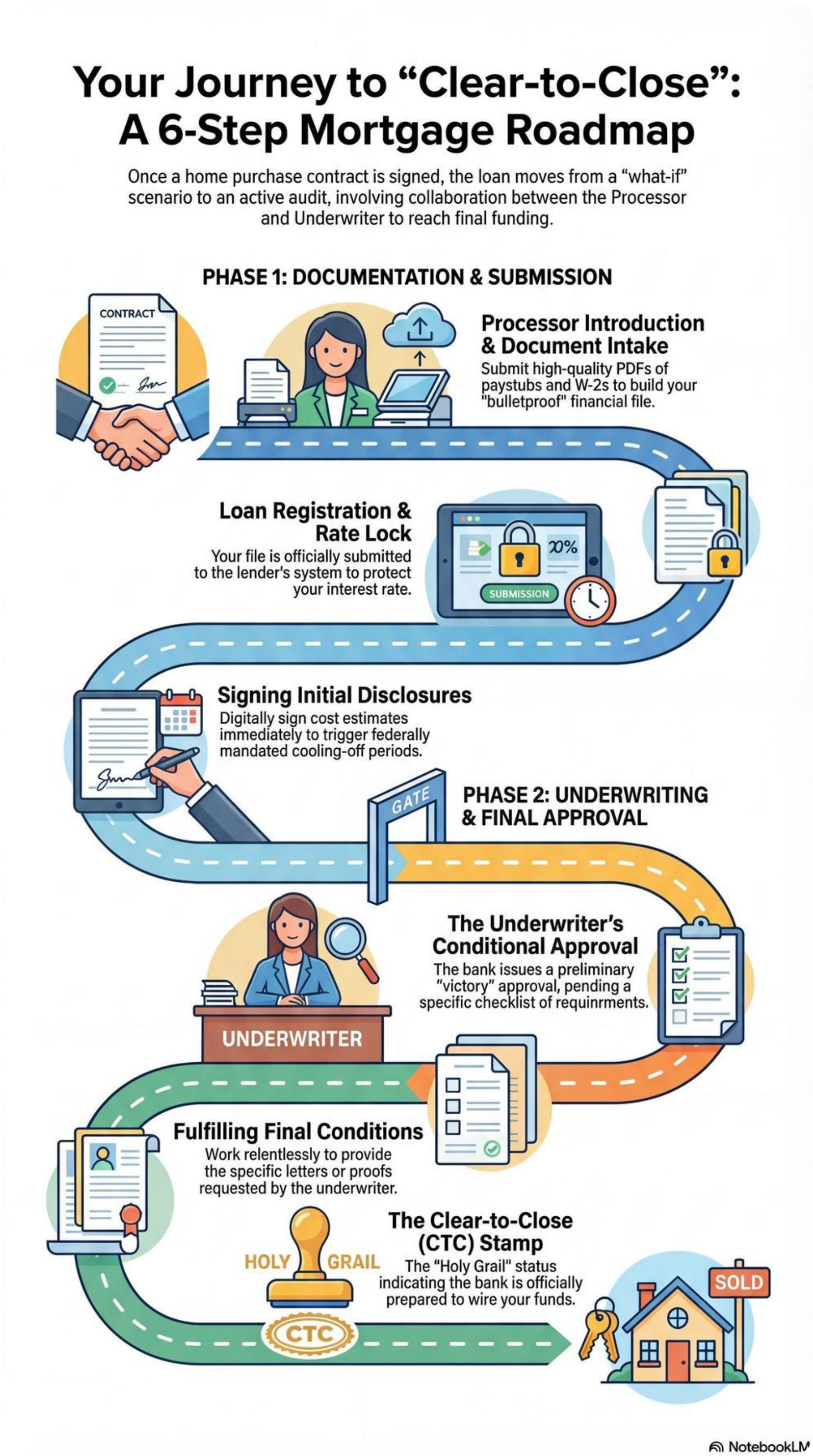
REALITY BITES

It will prove very hard to collect on an old (say 12 years) HVAC unit that **stops working after 3 months of your move in. However, I personally did get a 10 year old oven replaced that stopped working 9 months after we closed. You never know.**

Great...you understand the need for a home warranty policy so let's get back to the loan origination effort and what that looks like.

What to Expect During the Mortgage Process While Under Contract

Once you are officially under contract, the dynamic duo expands. Enter **Patricia the Processor**. If **Lawrence the Loan Officer** is the architect of your mortgage, Patricia is the general contractor who actually builds the darn thing. She is the hyper-organized, detail-obsessed professional who takes your raw financial data and packages it into a pristine, bulletproof file that even the most cynical underwriter can't poke holes in.



Request for Initial Financial Documentation

Be prepared for the paperwork avalanche. Patricia is going to ask for your updated paystubs, fresh bank statements, and every W-2 from the last two years. And possibly your income tax returns. Do not drag your feet here. In the mortgage world, speed creates a safety cushion in case of later complications.

When Patricia asks for a document, your only response should be sending a high-quality copy as soon as reasonable. No blurry cell phone photos of a crumpled bank statement sitting on the center console of your truck—give her the clean, professional data she needs to fight for your approval.

Registering/Loan Submission

Once Patricia has your financial DNA, your loan is officially registered and submitted into the lender's system. (Remember that the lender is the institution that actually funds the loan and where Ursula the underwriter works) This is where your file goes from a theoretical "what-if" to a live, ticking-clock transaction. Depending on your strategy with Lawrence, your interest rate may be locked in at this stage—protecting you from the wild daily swings of the market—and your file takes its place in line for the ultimate audit.

Signing of 'Initial Disclosures'

Suddenly, your inbox will light up with a massive digital package called your "**Initial Disclosures**." This is a mountain of federally mandated legal mumbo-jumbo outlining your estimated costs, loan terms, and government warnings. It looks intimidating, but don't panic. Look at the Loan Estimate to see if the numbers are approximately what Lawrence quoted you, and **then digitally sign the package immediately**. The federal government mandates strict "cooling-off" waiting periods after you sign these before you can legally close, so sitting on this email literally delays your moving day.

PATRIOT PRO TIP

The Initial Disclosures are not contracts that bind you to ANYTHING.

They are just the loan officer trying to fulfill the federal obligations of the mortgage industry. Do not dispute any of the loan estimate numbers because it is a first draft that will get adjusted multiple times. Often up to a half-dozen times. Sign the E-Disclosures so your mortgage team can kick into gear right away.

Underwriter’s Pre-Approval with Conditions

Your pristine file now lands on the desk of the ultimate gatekeeper: **Ursula the Underwriter**. After putting your financial life under a microscope, Ursula will issue a "Conditional Approval." This is a massive victory! It means the bank *wants* to give you the money, but they have a specific checklist of "conditions" you must satisfy first. She might want a letter explaining a large bank deposit from three months ago (called a Letter of Explanation or VOE), or proof that your earnest money check actually cleared your checking account.

Working with the Processor to Fulfill Conditions

This is the fourth quarter, and you are running the two-minute drill. Patricia and Lawrence will show you Ursula's checklist. This is not the time to argue with the bank's logic. If Ursula wants a letter explaining an old address on your credit report, just write the letter. Work relentlessly with Patricia to hunt down every single requested item. Your job is to feed the underwriter exactly what she asks for, as fast as humanly possible, so Patricia can resubmit the file for final review.

REALITY BITES

Often borrowers get 'underwriter burnout' from multiple requests by our frenemy Ursula the Underwriter. Hang in there emotionally. There is a human side to them (believe it or not) and they must protect the institution they work for that is lending the funds. So bite a nail and keep fulfilling what the processor says the UW needs.

You Receive the 'Clear-to-Close' Status

This is the Holy Grail of your loan origination pursuit. The golden ticket. The phrase that makes grown adults cry tears of joy. When Ursula reviews your final conditions and stamps your file **"Clear-to-Close" (CTC)**, the battle is over. The lender is fully satisfied and is officially preparing to wire the funds. You can finally stop holding your breath, tape up those moving boxes, and plan your victory lap to the closing table.

Here is another True Life Closing Success Story...

True Life Closing – Jane Lambert

Ms. Lambert had been dreaming of her first home since the middle of last year and was preparing herself and her finances. She was a fan of my YouTube channel and eventually reached out to me.

We Zoomed regarding her situation and it was apparent (like most FTHBs) the check to write at closing was going to be *overly taxing* on her.

I was able to find a wonderful starter home for her as her buyer agent and negotiated hard for $10,200 of seller concessions. This along with $3k in gift funds from her parents allowed her to fulfill her dreams and write a check for under $3K at closing.

J **Jane Lambert**
Local Guide · 29 reviews ★★★★★

The Mortgage Patriot *rocks*!

Kevin and his team helped coordinate finding the perfect home, negotiating the deal, and then getting me a great deal on my mortgage. Couldn't be more happy and would recommend him to everyone!

CHAPTER 8

Important Schedulings Before Closing

Once you shake off the small hangover you have from celebrating your 'Clear-to-Close' from the lender, it is time to go over the details of the remaining steps. I'll be guiding you all the way from scheduling moving, utility services, the final walk-thru, receiving your final numbers, signing at the closing table, to receiving the keys to your new home! We are going to discuss in this chapter:

- Scheduling your professional moving help
- Scheduling the new utilities and related services
- Scheduling for the final 'walk-thru' along with the closing date and time Let's first consider how far you have come, my friend...a mere six months ago you performed a self-assessment and then engaged a mortgage broker to prepare your path to pre-approval. You then navigated the home hunting and contract offer phase like a boss with your agent's help. You survived the financial colonoscopy from the underwriter while simultaneously negotiating more concessions based on the inspection report. Whaaat?!? Finally you received the coveted 'Clear-to-Close' banner and held it over your head like a Wimbledon tennis trophy while your spouse took pictures. Seriously, man...you rock!

And now you are standing at the absolute edge of the finish line. Your cat would be proud.

Scheduling movers, utilities and related services and the final 'walk-thru'

Remember back when you first got your offer accepted and you had to spring into action by ordering the inspection, contacting your loan officer and taking other actions? Well the 'Clear-to-Close' elicits the same need for speedy actions.

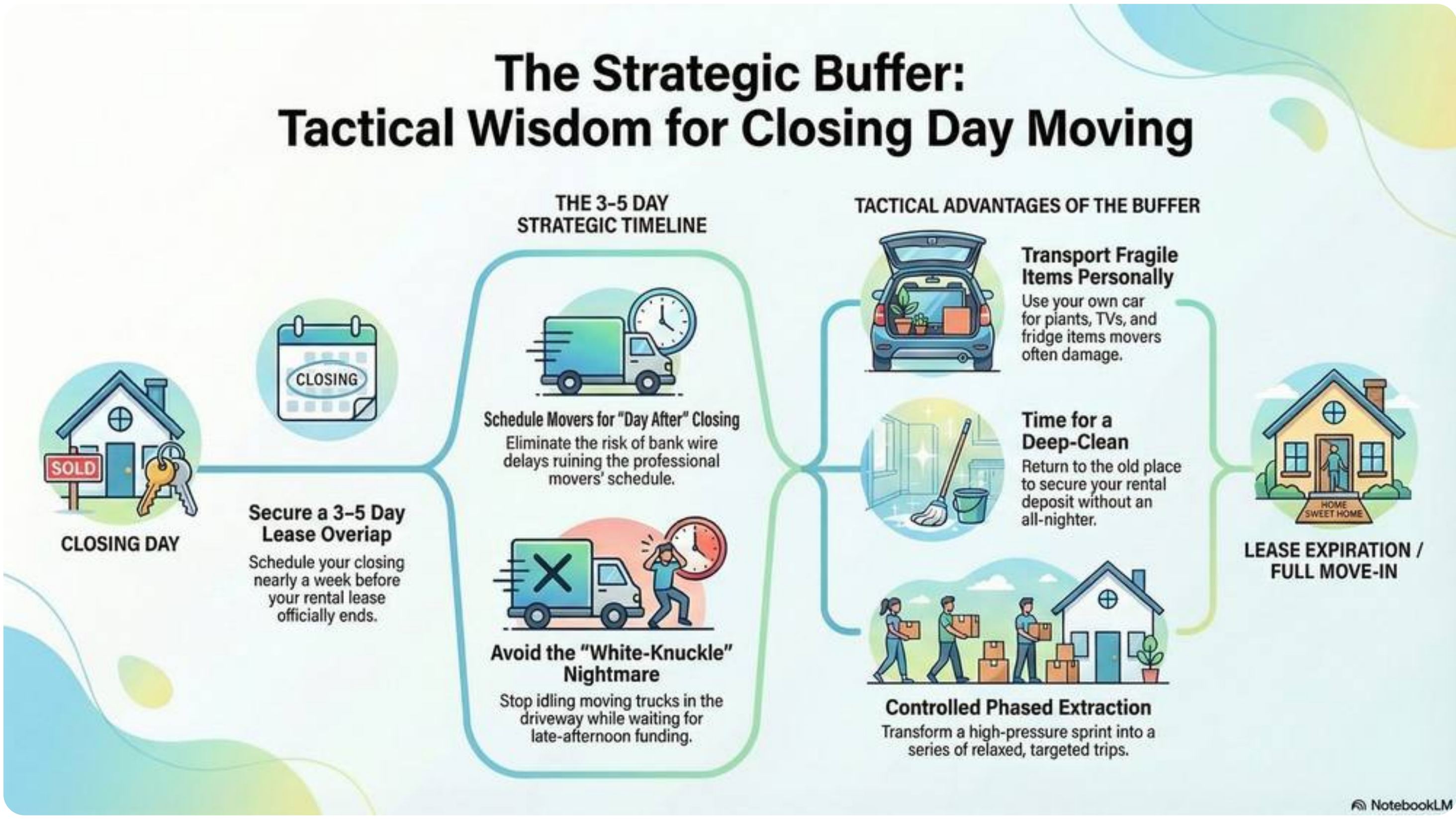
Let's strategize over these three main scheduling events - the movers, utilities and related, and the final 'walk-thru'.

Best Practices Before You Move In

The Moving Strategy: Engineering the "Buffer"

Hearing **Ursula the Underwriter** issue your "Clear-to-Close" means you survived the financial gauntlet, but do not drop your guard just yet. The lender's war is over; but the logistical war of actually moving has just begun. Do not treat closing day as the exact moment you must uproot your life. The smartest tactical move you can make is engineering a strategic buffer between taking your new keys and surrendering your old ones.

The secret to a flawless transition? **Schedule your closing three to five days *before* your current rental lease expires**. Amateurs try to align closing day exactly with their move-out day. This inevitably creates a white-knuckle nightmare where a fully packed moving truck is idling in the driveway, bleeding hourly fees, while you sit in a title office sweating and praying the bank wires the funds before 5:00 PM. By intentionally building a three-to-five-day overlap, you transform a high-pressure suicide sprint into a controlled, phased extraction.



With this buffer secured, you can confidently schedule professional movers for the day *after* you close. Since you already legally own the house, the heavy lifting proceeds with zero risk of a minor bank delay ruining the movers' schedule. Plus, keeping your old apartment for a few extra days is a massive tactical advantage. It allows you to make relaxed, targeted trips in your own car to transport the fragile or awkward cargo that movers often destroy—houseplants, flatscreen TVs, hanging clothes, and whatever is left in the fridge. Best of all? It gives you plenty of time to go back, deep-clean the old place, and secure your rental deposit without pulling a caffeine-fueled all-nighter.

PATRIOT PRO-TIP

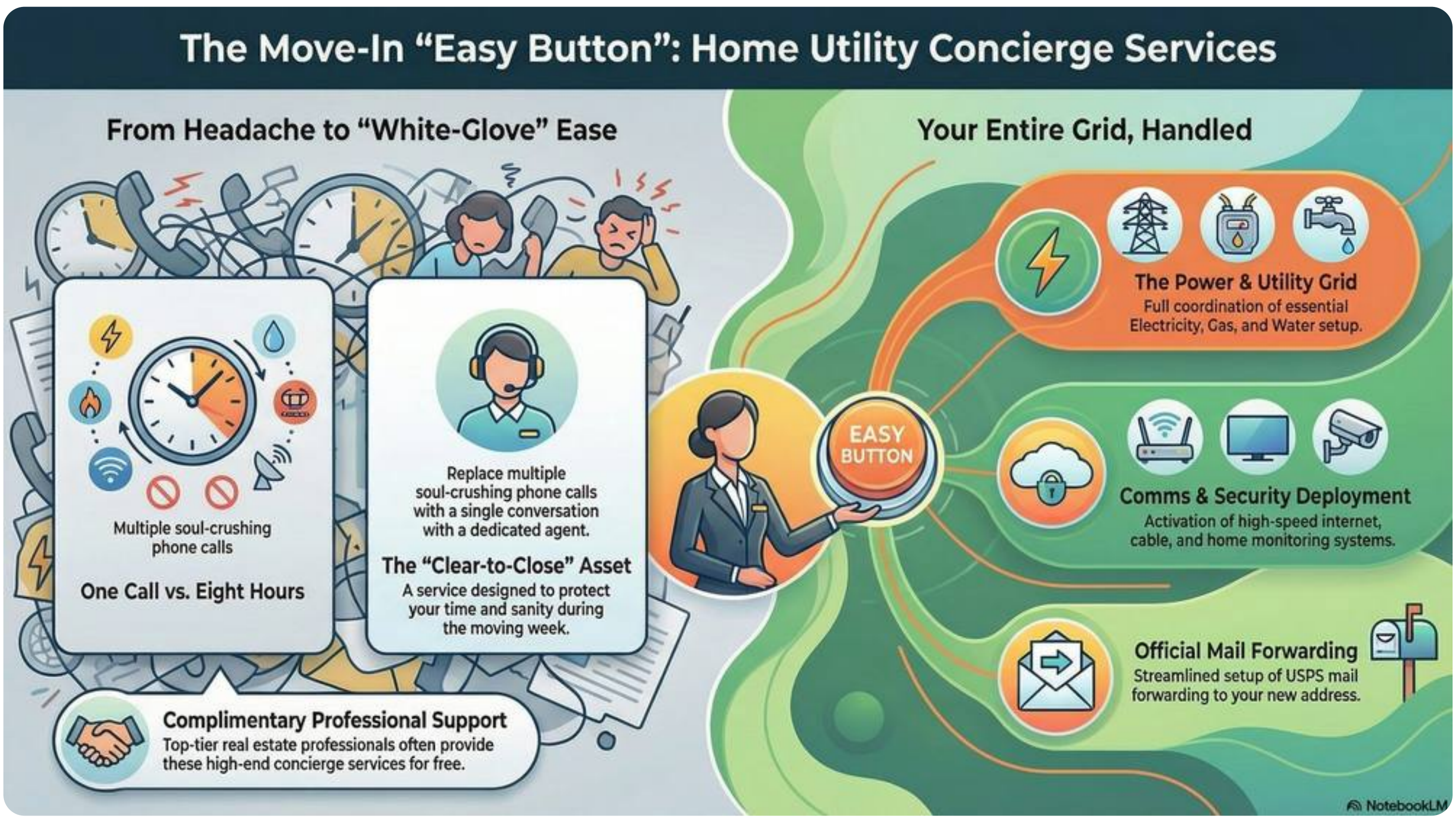
Prep a moving company in advance of your intentions and rough closing **date but do not lock in the schedule date a month in advance. The odds of hitting that date of furniture pickup and delivery are almost zero. But after your 'Clear-to-Close' status, now contact the movers immediately to schedule the job. You should have 4-7 days to transition if you used the strategy of closing a few days before your lease ends.**

The Utility Concierge: Your Move-In "Easy Button"

Getting the "Clear-to-Close" is exhilarating. Spending your next three days as a prospective homeowner sitting on hold, listening to bad elevator music while trying to turn on your water and internet, is soul-crushing. Don't do it. And the good news is that you don't have to.

This is where a **Home Concierge Service** enters the battlefield.

Many top-tier real estate professionals (including yours truly) now provide their new buyers with a complimentary, "white-glove" home connection concierge to handle the bureaucratic nightmare of moving. Instead of you spending hours making six different phone calls, getting transferred to three different departments, and trying to figure out which company actually provides the gas in your new zip code, you make *one* single phone call to a dedicated concierge agent.



You hand the concierge your new address and your move-in date, and they deploy their team to set up your entire grid in one fell swoop. They typically handle:

- **The Power Grid:** Electricity, Gas, and Water setup.
- **The Comms:** High-Speed Internet, Cable, and Phone activation.

- **The Perimeter:** Home Security System installation and monitoring.
- **The Supply Lines:** Official USPS Mail Forwarding.

PATRIOT PROTIP

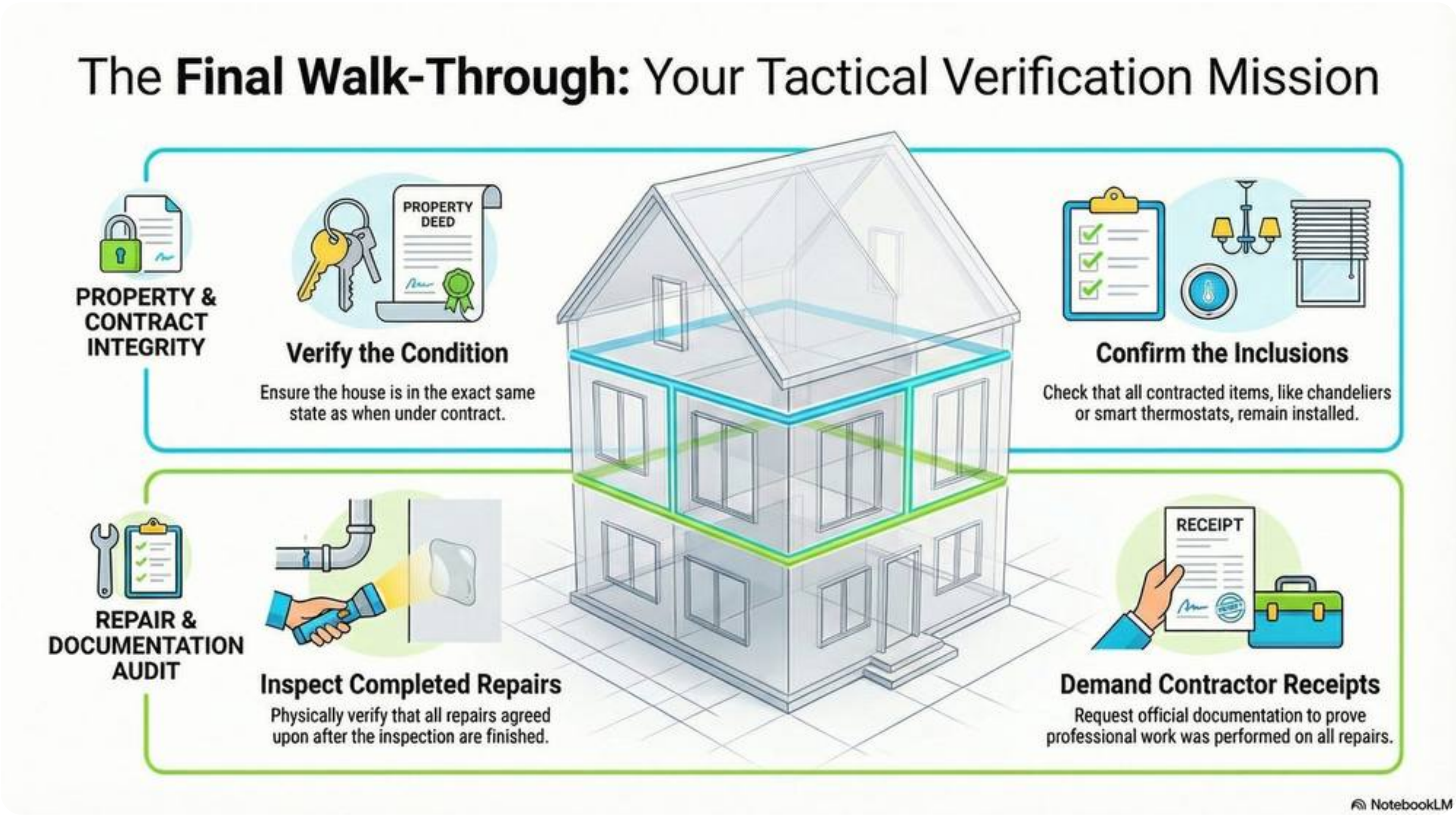
This is truly the best action you can take. It is complimentary. As in, it **doesn't cost you a dime! Time and sanity are your most valuable assets during moving week. Outsource the headache of dealing with the utility monopolies so you can focus on the actual tactical mission of moving your life.**

The Final Walk-Through: Trust, But Verify

A day or three before you have scheduled a sit down with Terry at the title company, you and Rochelle the Real Estate Agent are going to do the final 'walk-thru' at the empty house. Let me be crystal clear: this is not a time to measure the living room wall for your new 80'x80' flat screen TV or daydream about paint colors. This is a tactical verification mission to ensure the seller didn't accidentally (or intentionally) mess with you on their way out.

Your job is to verify three specific things:

1. The Condition: The house is in the exact same condition it was when you went under contract. 2. The Repairs: The seller actually completed the specific repairs they agreed to after Ivan the Inspector came through (demand to see the contractor receipts!). 3. The Inclusions: They didn't unbolt and steal the fancy dining room chandelier or the smart-thermostat that were explicitly written into the contract to stay.



REALITY BITES

I've a buyer void their transaction 2 days before closing because the final **walk-thru showed very sketchy work by the sellers trying to address the agreed upon inspection repairs. This should never happen but it did. So, turn on the HVAC. Test whatever the prior issues were. Make sure the seller didn't leave a mountain of trash and old, crusty paint cans in the garage for you to haul to the dump. If there is a massive new hole in the drywall from where they ripped their TV off the wall, or the agreed-upon repairs simply aren't done, *do not close*. Take pictures of any issues. Enlist Rochelle to raise heck with the listing agent. Because once you sign Terry's paperwork and the loan funds, that hole in the wall is 100% your problem.**

So there you go. You have scheduled the movers, enlisted a concierge firm to handle the utilities and related services for hook-up and have a date to walk through your new home. Done, done and done. Let's move on to Chapter 9 and discuss the final Closing Disclosure, your actual signing of documents and best practices after the loan funds and you receive the long-awaited keys.

CHAPTER 9

Closing and Beyond

It's all over but the shouting now. This final phase—the closing process—is where all the estimated numbers become very real dollars, and where a mountain of legal paperwork transfers the property into your name. It is also the phase where first-time buyers are most vulnerable to last-minute confusion, wire fraud, and post-move-in mistakes.

In this final chapter, we are going to cover exactly what happens in those last few days; reviewing the final Closing Disclosure, what you will be signing, how you actually get your keys, filing for Homestead Exemption and the crucial steps you need to take *after* you move in to protect your new investment.

- The final CD - the statement of fees and credits and the amount you are due to pay
- The closing documents of importance you will be signing
- Getting your keys and related home information
- Filing for Homestead Exemption
- Best Practices after move-in most homeowners forget Let's bring this home.

The Final CD: The Ultimate Receipt

About a week before your scheduled closing date, Lawrence the Loan Officer is going to send you a document called the **Closing Disclosure**, or the **CD**.

Remember the Loan Estimate you received at the beginning of the process? Well, the Closing Disclosure is similar but represents the final financial settlement. This CD lays out the exact, to-the-penny final numbers for your transaction. It outlines your precise interest rate, your exact monthly payment, every single closing cost, and the grand total of what you need to bring to the closing table (your "Cash to Close").

Here are the first 3 pages of a real Closing Disclosure that I assisted a buyer with recently where I represented him as his loan officer and real estate agent. Hold your applause til the end. (I have removed the buyers and sellers name, the subject property and any other searchable information that would get us all into trouble.)

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information | Transaction Information | Loan Information

Loan Terms		Can this amount increase after closing?	
Loan Amount	$262,000	**NO**	
Interest Rate	6.125%	**YES**	• Adjusts **every year** starting in year 6 • Can go **as high as 11.125%** in year 10 • See **AIR Table on page 4** for details
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$1,591.94	**YES**	• Adjusts **every year** starting in year 6 • Can go **as high as $2,366** in year 10
		Does the loan have these features?	
Prepayment Penalty		**NO**	
Balloon Payment		**NO**	

Projected Payments

Payment Calculation	Years 1 - 6	Year 7	Year 8	Years 9 - 30
Principal & Interest	$1,591.94	$1,446 min $1,744 max	$1,312 min $1,898 max	$1,091 min $2,366 max

Payment Calculation	Years 1 - 6	Year 7	Year 8	Years 9 - 30
Principal & Interest	$1,591.94	$1,446 min $1,744 max	$1,312 min $1,898 max	$1,091 min $2,366 max
Mortgage Insurance	+ 0	+ 0	+ 0	+ 0
Estimated Escrow *Amount can increase over time*	+ 211.00	+ 211.00	+ 211.00	+ 211.00
Estimated Total Monthly Payment	$1,802.94	$1,657 -$1,955	$1,523 -$2,109	$1,302 -$2,577

Estimated Taxes, Insurance & Assessments *Amount can increase over time* *See page 4 for details*	$211.00 a month	**This estimate includes** ☐ Property Taxes ☒ Homeowner's Insurance ☐ Other: *See Escrow Account on page 4 for details. You must pay for other property costs separately.*	**In escrow?** YES

Costs at Closing

Closing Costs	$6,127.09	Includes $2,798.13 in Loan Costs + $3,383.96 in Other Costs -$55.00 in Lender Credits. *See page 2 for details.*
Cash to Close	$240.44	Includes Closing Costs *See Calculating Cash to Close on page 3 for details.*

Closing Cost Details

Loan Costs		Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
A. Origination Charges						
01 0.58% of Loan Amount (Points)				$1,519.60		
02 Underwriting Fee				$1,395.00		
03						
04						
05						
06						
07						
08						
B. Services Borrower Did Not Shop For		**$1,212.13**				
01 Appraisal Fee	to Nexa Mortgage, Llc-Va	$725.00				
02 Attorney Document Preparation Fee	to Bmg			$100.00		
03 Credit Report	to Xactus (Reimb)			$141.00		
04 Electronic Registration (MERS) Fee	to Mortgage Electronic Registration Syste			$24.95		
05 Flood Certification	to Corelogic Flood Services			$8.00		
06 Survey Fee	to Cain Surveying Company	$487.13				
07 Tax Service	to Nexa Mortgage Fbo Lereta			$85.00		
08 Third Party Processing Fee	to Will Fagan/Fagan III Holdings LLC			$995.00		
09						
10						
C. Services Borrower Did Shop For		**$1,586.00**				
01 Title - Courier/Wire/Email Fee	to Tarry Transfer Company, Inc. Dba Tarry			$50.00		
02 Title - Document Prep	to Tarry Transfer Company, Inc. Dba Tarry			$150.00		
03 Title - E-Recording Fee	to Tarry Transfer Company, Inc. Dba Tarry			$43.25		
04 Title - Endorsement Fee	to Tarry Transfer Company, Inc. Dba Tarry			$179.30		
05 Title - Environmental Protection Lien	to Tarry Transfer Company, Inc. Dba Tarry			$25.00		
06 Title - Escrow Fee	to Tarry Transfer Company, Inc. Dba Tarry			$395.00		
07 Title - Mobile Notary Fee	to Tarry Transfer Company, Inc. Dba Tarry			$225.00		
08 Title - Premium for Lender's Coverage	to Tarry Transfer Company, Inc. Dba Tarry	$1,586.00		$100.00		
09 Title - Tax Cert/Guaranty Fee	to Tarry Transfer Company, Inc. Dba Tarry			$2.00		
D. TOTAL LOAN COSTS (Borrower-Paid)		**$2,798.13**				
Loan Costs Subtotals (A + B + C)		$2,798.13				

Other Costs				
E. Taxes and Other Government Fees	**$43.10**			
01 Recording Fees Deed: $33.00 Mortgage: $117.00	$33.00		$117.00	
02 Transfer Tax to Smith County Recorder	$10.10		$44.90	
F. Prepaids	**$2,707.86**			
01 Homeowner's Insurance Premium (12 mo.) to American Modern	$2,532.00			
02 Mortgage Insurance Premium (mo.)				
03 Prepaid Interest ($43.97 per day from 6/27/25 to 7/1/25)	$175.86			
04 Property Taxes (mo.)				
05				
G. Initial Escrow Payment at Closing	**$633.00**			
01 Homeowner's Insurance $211.00 per month for 3 mo.	$633.00			
02 Mortgage Insurance per month for mo.				
03 Property Taxes per month for mo.				
04				
05				
06				
07				
08 Aggregate Adjustment				
H. Other				
01 Buyers Agent Real Estate Commission to Exp Realty LLC			$7,860.00	
02 Sellers Agent Real Estate Commission to Shilling Real Estate Company			$7,860.00	
03 Title - Owner's Title Policy (Optional) to Tarry Transfer Company, Inc. Dba Tarry			$100.00	
04				
05				
06				
07				
I. TOTAL OTHER COSTS (Borrower-Paid)	**$3,383.96**			
Other Costs Subtotals (E + F + G + H)	$3,383.96			
J. TOTAL CLOSING COSTS (Borrower-Paid)	**$6,127.09**			
Closing Costs Subtotals (D + I)	$6,182.09		$21,420.00	
Lender Credits (Includes $55 credit for increase in Closing Costs above legal limit)	-$55.00			

Notice at the bottom of this first page that the buyer/borrower wrote a closing check - the **'Cash to Close'** for **only $240.44 for a $262,000 purchase!** "How is this possible?" you ask (totally underestimating the Mortgage Patriot's special powers). The answer to this burning question will be revealed after the last Closing Disclosure snapshot below.

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?	
Total Closing Costs (J)	$12,359.00	$6,127.09	YES	• See **Total Loan Costs(D)** and **Total Other Costs(I)** • Increase **exceeds legal limits** by $55.00. See **Lender Credits** on page 2 for credit of excess amount.
Closing Costs Paid Before Closing	$0	$0	NO	
Closing Costs Financed (Paid from your Loan Amount)	$0	$0	NO	
Down Payment/Funds from Borrower	$0	$0	NO	
Deposit	-$2,600.00	-$2,600.00	NO	
Funds for Borrower	$0	$0	NO	
Seller Credits	-$4,600.00	$0	YES	• See Seller Credits in **Section L**
Adjustments and Other Credits	$0	-$3,286.65	YES	• See details in **Sections K and L**
Cash to Close	$5,159.00	$240.44		

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	**$268,127.09**
01 Sale Price of Property	$262,000.00
02 Sale Price of Any Personal Property Included In Sale	
03 Closing Costs Paid at Closing (J)	$6,127.09
04	
Adjustments	
05	
06	
07	
Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to	
14	
15	
L. Paid Already by or on Behalf of Borrower at Closing	**$267,886.65**
01 Deposit (EMD: $2,500.00 / Cash Deposit: $100.00)	$2,600.00
02 Loan Amount	$262,000.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	
Other Credits	
06 Simultaneous Policy Discount	$1,586.00
07	
Adjustments	
08	
09	
10	
11	
Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/25 to 6/26/25	$1,054.24
13 County Taxes 1/1/25 to 6/26/25	$646.41
14 Assessments to	
15	
16	
17	
CALCULATION	
Total Due from Borrower at Closing (K)	$268,127.09
Total Paid Already by or on Behalf of Borrower at Closing (L)	-$267,886.65
Cash to Close ☒ From ☐ To Borrower	**$240.44**

SELLER'S TRANSACTION

M. Due to Seller at Closing	**$262,000.00**
01 Sale Price of Property	$262,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	
Adjustments for Items Paid by Seller in Advance	
09 City/Town Taxes to	
15	
16	
N. Due from Seller at Closing	**$24,706.65**
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	$21,420.00
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	
05 Payoff of Second Mortgage Loan	
06	
07	
08 Seller Credit	
09 Simultaneous Policy Discount	$1,586.00
10	
11	
12	
13	
Adjustments for Items Unpaid by Seller	
14 City/Town Taxes 1/1/25 to 6/26/25	$1,054.24
15 County Taxes 1/1/25 to 6/26/25	$646.41
16 Assessments to	
17	
18	
19	
CALCULATION	
Total Due to Seller at Closing (M)	$262,000.00
Total Due from Seller at Closing (N)	-$24,706.65
Cash to Close ☐ From ☒ To Seller	**$237,293.35**

Calculating Cash to Close Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
Total Closing Costs (J)	$12,359.00	$6,127.09	YES • See **Total Loan Costs (D)** and **Total Other Costs (I)** • Increase **exceeds legal limits** by $55.00. See **Lender Credits** on page 2 for credit of excess amount.
Closing Costs Paid Before Closing	$0	$0	NO
Closing Costs Financed (Paid from your Loan Amount)	$0	$0	NO
Down Payment/Funds from Borrower	$0	$0	NO
Deposit	-$2,600.00	-$2,600.00	NO
Funds for Borrower	$0	$0	NO
Seller Credits	-$4,600.00	$0	YES • See Seller Credits in **Section L**
Adjustments and Other Credits	$0	-$3,286.65	YES • See details in **Sections K and L**
Cash to Close	$5,159.00	$240.44	

Summaries of Transactions Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	**$268,127.09**
01 Sale Price of Property	$262,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	$6,127.09
04	
Adjustments	
05	
06	
07	
Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to	

SELLER'S TRANSACTION

M. Due to Seller at Closing	**$262,000.00**
01 Sale Price of Property	$262,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	
Adjustments for Items Paid by Seller in Advance	
09 City/Town Taxes to	

14	
15	
L. Paid Already by or on Behalf of Borrower at Closing	**$267,886.65**
01 Deposit (EMD: $2,500.00 / Cash Deposit: $100.00)	$2,600.00
02 Loan Amount	$262,000.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	
Other Credits	
06 Simultaneous Policy Discount	$1,586.00
07	
Adjustments	
08	
09	
10	
11	
Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/25 to 6/26/25	$1,054.24
13 County Taxes 1/1/25 to 6/26/25	$646.41
14 Assessments to	
15	
16	
17	
CALCULATION	
Total Due from Borrower at Closing (K)	$268,127.09
Total Paid Already by or on Behalf of Borrower at Closing (L)	-$267,886.65
Cash to Close ☒ From ☐ To Borrower	**$240.44**

15	
16	
N. Due from Seller at Closing	**$24,706.65**
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	$21,420.00
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	
05 Payoff of Second Mortgage Loan	
06	
07	
08 Seller Credit	
09 Simultaneous Policy Discount	$1,586.00
10	
11	
12	
13	
Adjustments for Items Unpaid by Seller	
14 City/Town Taxes 1/1/25 to 6/26/25	$1,054.24
15 County Taxes 1/1/25 to 6/26/25	$646.41
16 Assessments to	
17	
18	
19	
CALCULATION	
Total Due to Seller at Closing (M)	$262,000.00
Total Due from Seller at Closing (N)	-$24,706.65
Cash to Close ☐ From ☒ To Seller	**$237,293.35**

The answer on how the borrower paid only $240.44 to buy a $260,000 home is that he received tremendous help from a VA loan which requires no down payment. The buyer/borrower was a veteran.

But look down to the '**Calculating Cash to Close**' section above, where I negotiated **$4,600 in seller concessions** as well...Nice! So along with the initial EMD of $2,600 from my buyer/borrower, he only came out of pocket an additional $240.44. Sweet! But I really wanted you to see what a final CD looks like.

Understand that by federal law, *you must receive and acknowledge the CD at least three business days before you can actually sign your closing documents*. This is the government's way of ensuring you have time to review the math and aren't hit with surprise junk fees at the last second.

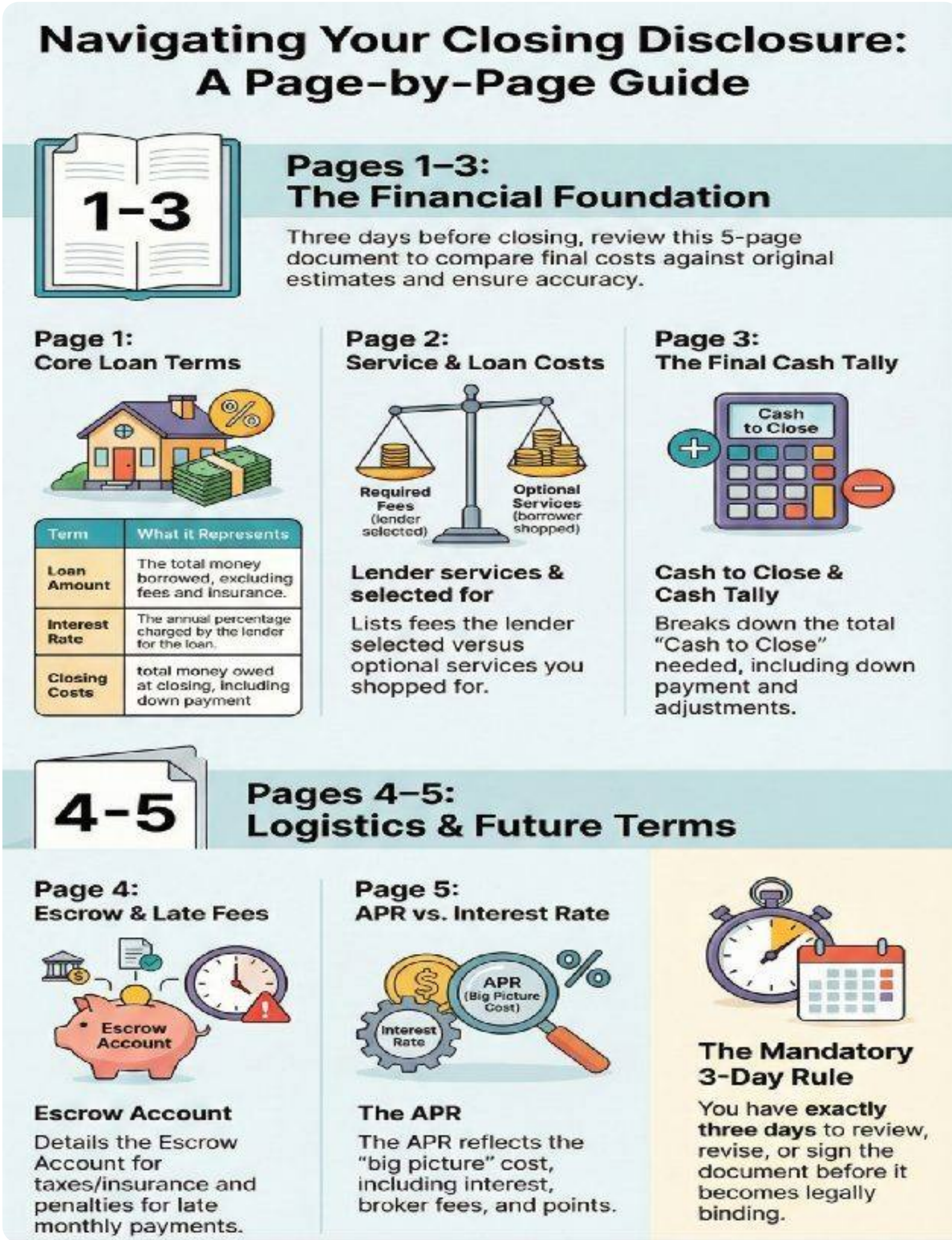
PATRIOT PROTIP

Any top-shelf loan officer should have been keeping you **appraised of the adjustments to the loan estimate. So once you receive the CTC, there should be no surprises on the final CD. But if a fee suddenly jumped by a material amount, contact your mortgage broker immediately and have them explain exactly why.**

REALITY BITES

I frequently am able to lower a buyer's cash-to-close figure below **$7,000 on purchases of $300,000 or less. The strategy is to use an FHA loan, combined with seller concessions and a down payment assistance program (if available).**

- **Check out this video of mine that went viral...Buy a $300K Home with $1K!**
- **(Copy & paste this link)** https://youtu.be/Pj3jkwntk3s?si=Id7xojXTYih0j57I


Navigating Your Closing Disclosure:
A Page-by-Page Guide
1-3
Pages 1–3:
The Financial Foundation
Three days before closing, review this 5-page document to compare final costs against original estimates and ensure accuracy.
Page 1:
Core Loan Terms
Term
What it Represents
Loan Amount
The total money borrowed, excluding fees and insurance.
Interest Rate
The annual percentage charged by the lender for the loan.
Closing Costs
total money owed at closing, including down payment
Page 2:
Service & Loan Costs
Required Fees (lender selected)
Optional Services (borrower shopped)
Lender services & selected for
Lists fees the lender selected versus optional services you shopped for.
Page 3:
The Final Cash Tally
Cash to Close
Cash to Close & Cash Tally
Breaks down the total "Cash to Close" needed, including down payment and adjustments.
4-5
Pages 4–5:
Logistics & Future Terms
Page 4:
Escrow & Late Fees
Escrow Account
Escrow Account
Details the Escrow Account for taxes/insurance and penalties for late monthly payments.
Page 5:
APR vs. Interest Rate
APR (Big Picture Cost)
Interest Rate
The APR
The APR reflects the "big picture" cost, including interest, broker fees, and points.
The Mandatory 3-Day Rule
You have exactly three days to review, revise, or sign the document before it becomes legally binding.

The Closing Documents: Prepare for Hand Cramps

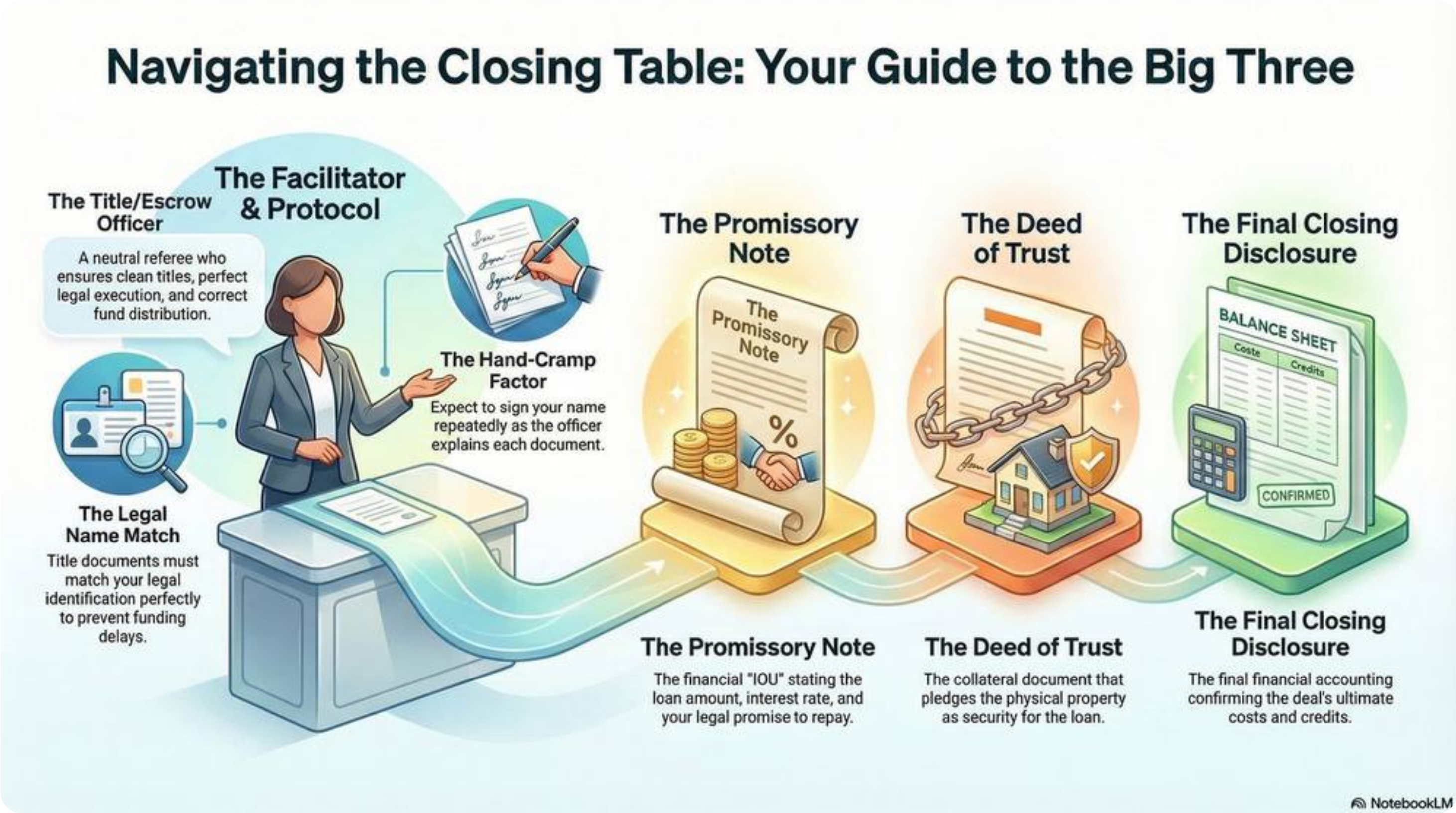
When closing day arrives, you will head to the office of **Terry the Title/Escrow Officer**. Terry is the neutral referee of this entire transaction. She doesn't work for the buyer, the seller, or the bank. Her job is to ensure the title to the home is clean, all the money goes to the right people, the legal documents are executed perfectly and you get the keys.

You are going to sign your name so many times at closing it will bring back bad grade school memories when you had to write lines for bad penmanship. (Ask your parents if that never happened to you) And while Terry will explain every document as she slides it across the table, here are the "Big Three" you need to understand:

1. The Promissory Note This is the financial heart of the transaction. It is your personal, legally binding IOU to the bank. It states the exact amount you borrowed, the interest rate, and your solemn promise to pay it back over the life of the loan.

2. The Deed of Trust (The Mortgage) If the Promissory Note is the IOU, the Deed of Trust is the collateral. This document legally pledges the physical property as security for the loan. It outlines what happens if you break your promise to pay (spoiler alert: they take the house back). It is also the document that reflects your ownership of the home and is recorded at the county office.

3. The Final Closing Disclosure You will sign a physical copy of the same CD you reviewed three days earlier, confirming the final financial accounting of the deal.



PATRIOT PRO-TIP

Read the names on the documents carefully. If your legal name is **Michael James Smith, and the bank drew up the documents as Mike J. Smith, tell Terry immediately. Title documents must match your legal identification perfectly, or the funding will be delayed while the bank redraws the paperwork. Then keep the Deed in safekeeping. Keep your entire closing package somewhere handy but safe.**

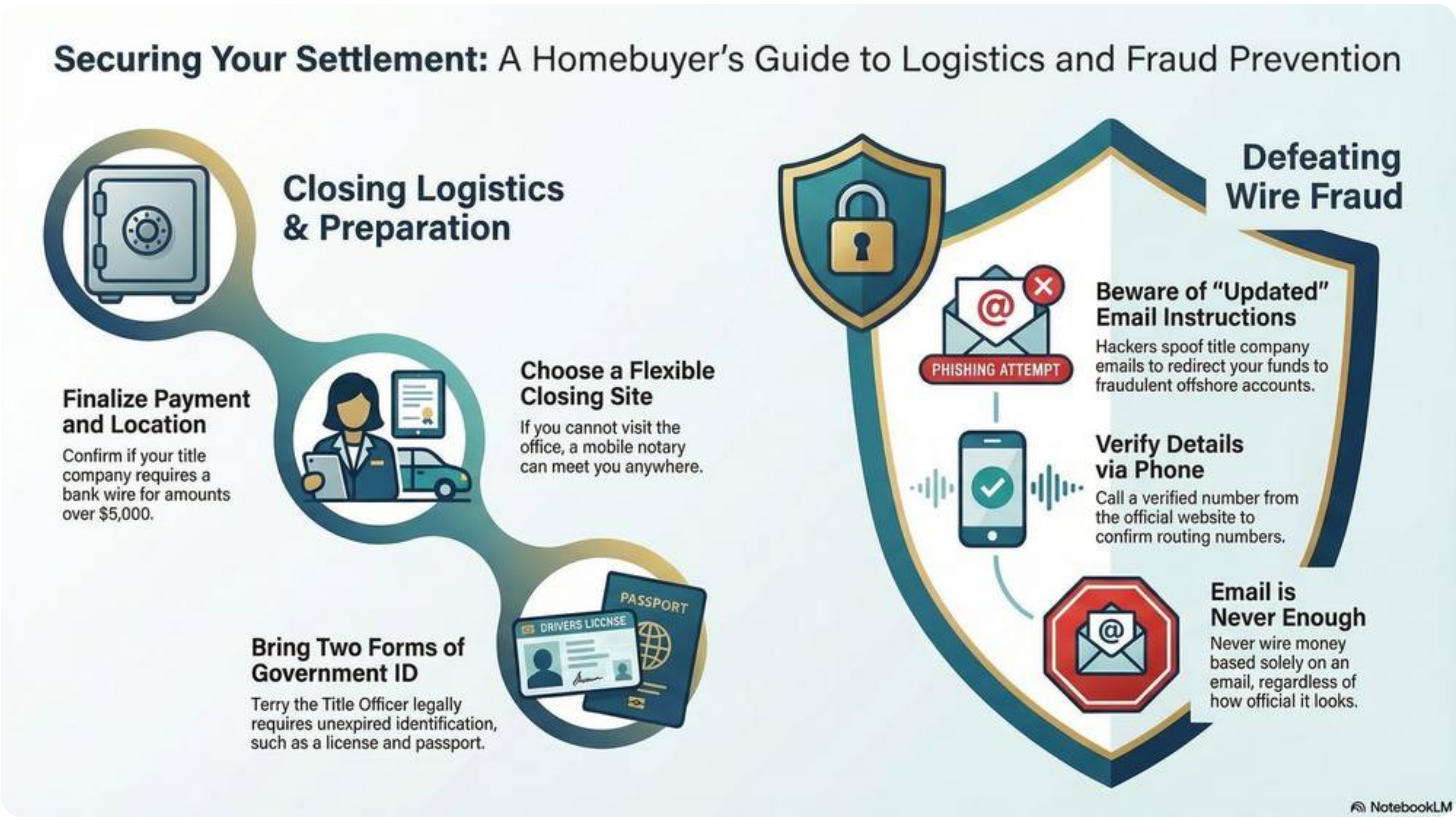
Scheduling, Wiring Funds, and the Fraud Threat

A few days before closing, you need to finalize the logistics of moving your "Cash to Close" to the title company. In the old days, you brought a certified cashier's check. Today, most title companies require a bank wire transfer for anything over a certain amount (usually $5,000 to $10,000).

Call the title company and ask the options you have for both presenting final payment and where you can close. Virtually every title company can accommodate a buyer that cannot physically appear at the designated office.

A mobile notary can be assigned to you where you are most comfortable or available to sign if you cannot make it to the title company. I have arranged this routinely, for example, at places of work or the borrower's own home. Once, the notary even met the buyer at a bar. I guess the guy wanted to cut out his travel time completely after the signing and be able to celebrate immediately. (true story)

This brings us to the single biggest threat in the modern real estate transaction: **Wire Fraud.**



Hackers know you are buying a house. They monitor the email accounts of real estate agents and title companies. Right before closing, they will send you an email that looks *exactly* like it came from Terry the Title/Escrow Officer, complete with the company logo and email signature. The email will say, "Here are the updated wire instructions for your closing tomorrow," directing you to wire your life savings to a fraudulent offshore account. If you send that money, it is gone forever. The bank cannot get it back, and you will not be buying the house.

PATRIOT PROTIP

NEVER wire money based solely on an email. When it is time to **wire your funds, physically call Terry the Title/Escrow Officer at the verified phone number you have already reached her at before (not the phone number in the email) and ask her to read the routing and account numbers to you over the phone. Do not let paranoia ruin your day, but treat your cash to close like gold bullion.**

On the day of closing, bring two forms of unexpired government-issued ID (like a driver's license and a passport). Terry legally cannot notarize your signature without them.

Getting Your Keys (Not at signing but at funding)

Here is a classic first-time homebuyer misunderstanding, especially in states like Texas.

You finish signing your mountain of paperwork. Your hand is cramping. You put the pen down, look at Terry, and say, "Give me the keys, woman!" Well, that is probably too harsh so be far more polite. Maybe something like “Is now a good time for the keys?”

Terry will smile and say, "Not yet."

Signing the documents is only half the exercise. *This is the **difference between closing and funding.*** After you sign, Terry scans the executed package and sends it back to the lender. A final closer at the lender reviews the signatures to make sure you didn't miss a date or a middle initial. Once the lender gives the thumbs up, they physically wire the loan funds to Terry’s escrow account.

Once Terry receives the lender’s money and matches it with your wire, the loan has officially **Funded**. Only when the loan is funded and the transaction is recorded with the county do you legally own the home. *That* is when Rochelle can hand you the keys. If you sign at 9:00 AM, you usually have the keys by 2:00 PM. But if you sign at 4:30 PM on a Friday, you might not get the keys until Monday morning. Plan your moving truck accordingly!

PATRIOT PRO-TIP

Schedule your closing (if possible) around 10:00AM - **10:30AM. This gives the title company to do last minute adjustments in the morning but still allows for enough time to fund and get the keys by the afternoon.**

Filing for Your Homestead Exemption

Congratulations! You are officially a homeowner. Now it is time to protect your wallet from the tax man.

For example, if you are buying a primary residence in Texas, filing for your **Homestead Exemption** is the most important piece of post-closing paperwork you will ever submit. This exemption does two massive things:

1. It removes a portion of your home's assessed value from taxation, literally saving you hundreds (or thousands) of dollars on your property tax bill every single year. 2. It caps how much the appraisal district can raise your taxable value year over year (currently a 10% cap).

By the way, soon after you move in, you are going to get an extremely official-looking piece of mail that says "Notice of Homestead Designation" offering to file your exemption for you for a "processing fee" of $75 or $100. Throw it in the trash! It is a legal scam. Filing your Homestead

Exemption is 100% FREE. You simply go to your county appraisal district's website, fill out a one-page form, attach a copy of your driver's license (with your new address on it!), and hit submit.

You can file for your exemption as soon as you close, but your driver's license address *must* match the address of the new home before the county will accept it.

Best Practices After You Move In

The first week in a new house is when you establish the baseline for the next ten years. Do not let fatigue make you sloppy. Execute these five post-move-in missions before you even think about buying throw pillows:

1. Change the door locks and wipe the garage door's memory Everyone remembers to change the front door deadbolt, but 90% of buyers completely ignore the biggest motorized door on the house. The previous owner probably gave their garage keypad code to the dog walker, the babysitter, and half the neighborhood kids. Grab a ladder, hit the "Learn" button on the back of the garage door motor, wipe the memory completely clean, and program a brand-new code. While you are at it, reprogram any stray clickers left in the kitchen drawer.

2. Execute the "Air & Fire" Reset Never trust the previous owner's maintenance schedule. Assume they were completely incompetent. On Day 1, execute a full reset of the home's vital safety systems. Rip out the disgusting, dust-choked HVAC filters and install premium new ones. Then, walk through the house with a multi-pack of 9-volt batteries and replace the battery in every single smoke and carbon monoxide detector. You do not want to be woken up at 3:00 AM by a dying smoke detector chirping your first week in the house.

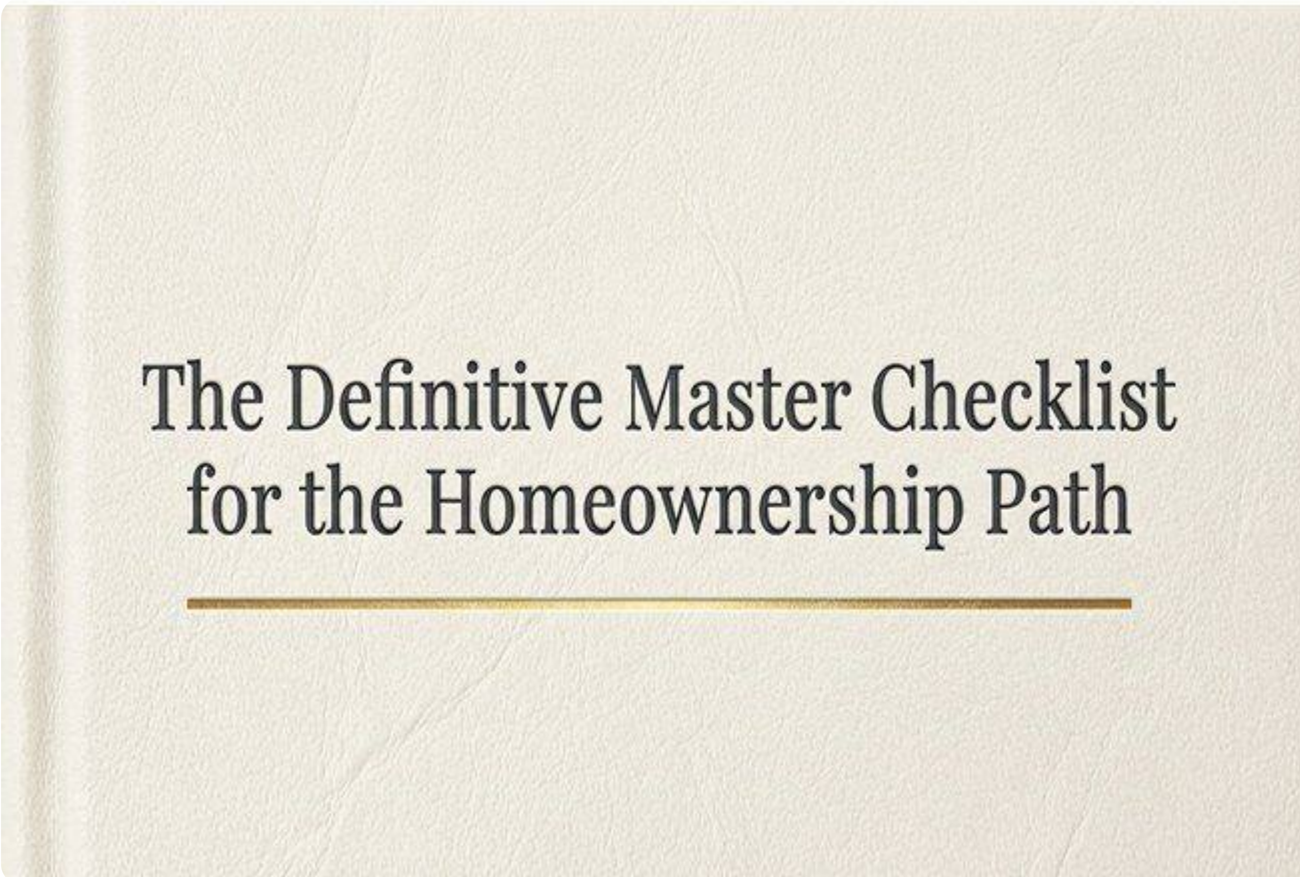
3. Defuse the Dryer Vent Timebomb When you hook up your washer and dryer, do not just blindly shove the exhaust hose into the wall. **A clogged dryer vent is one of the leading causes of**

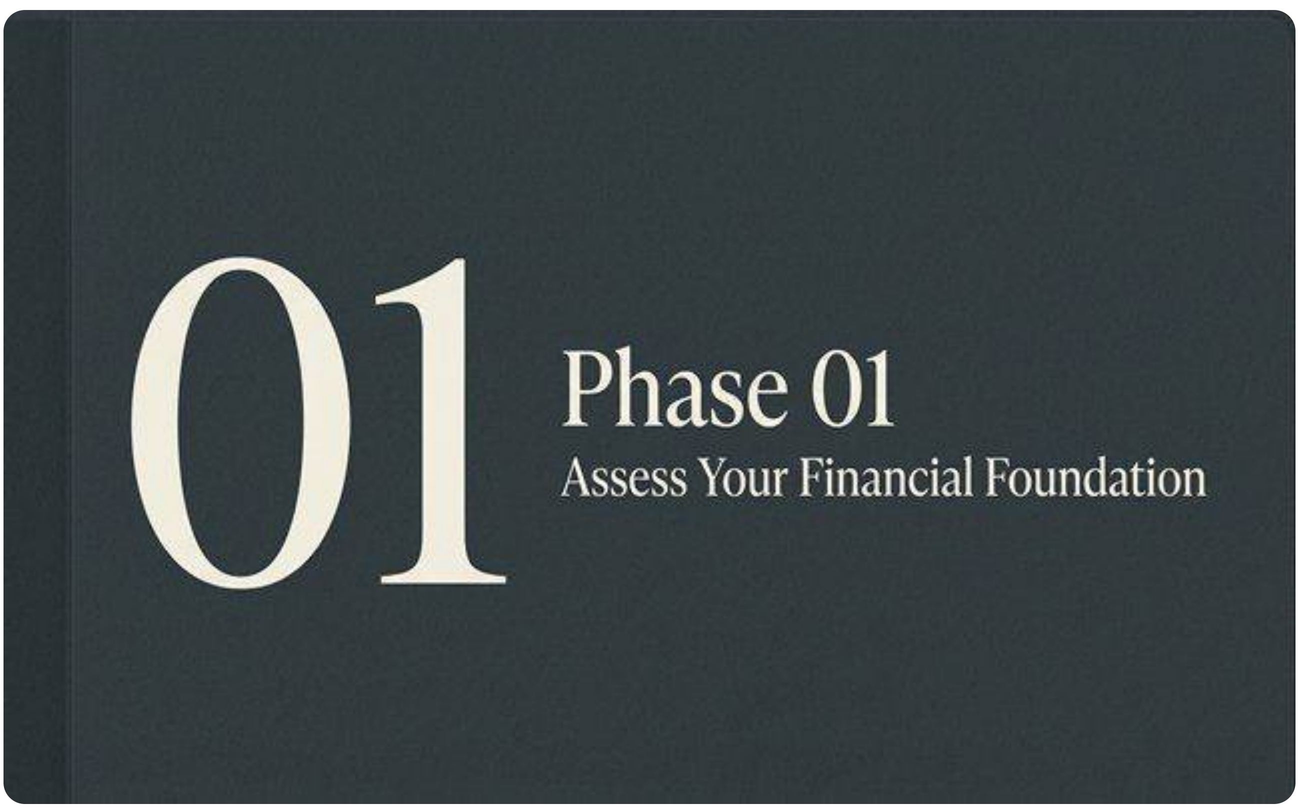
house fires in America, and the previous owner probably hasn't cleaned it since 2018. Go to the hardware store, buy a $20 dryer vent cleaning brush kit, attach it to your power drill, and blow out the massive blockage of highly flammable lint hiding inside the wall. Your house won't burn down, and your clothes will dry twice as fast.

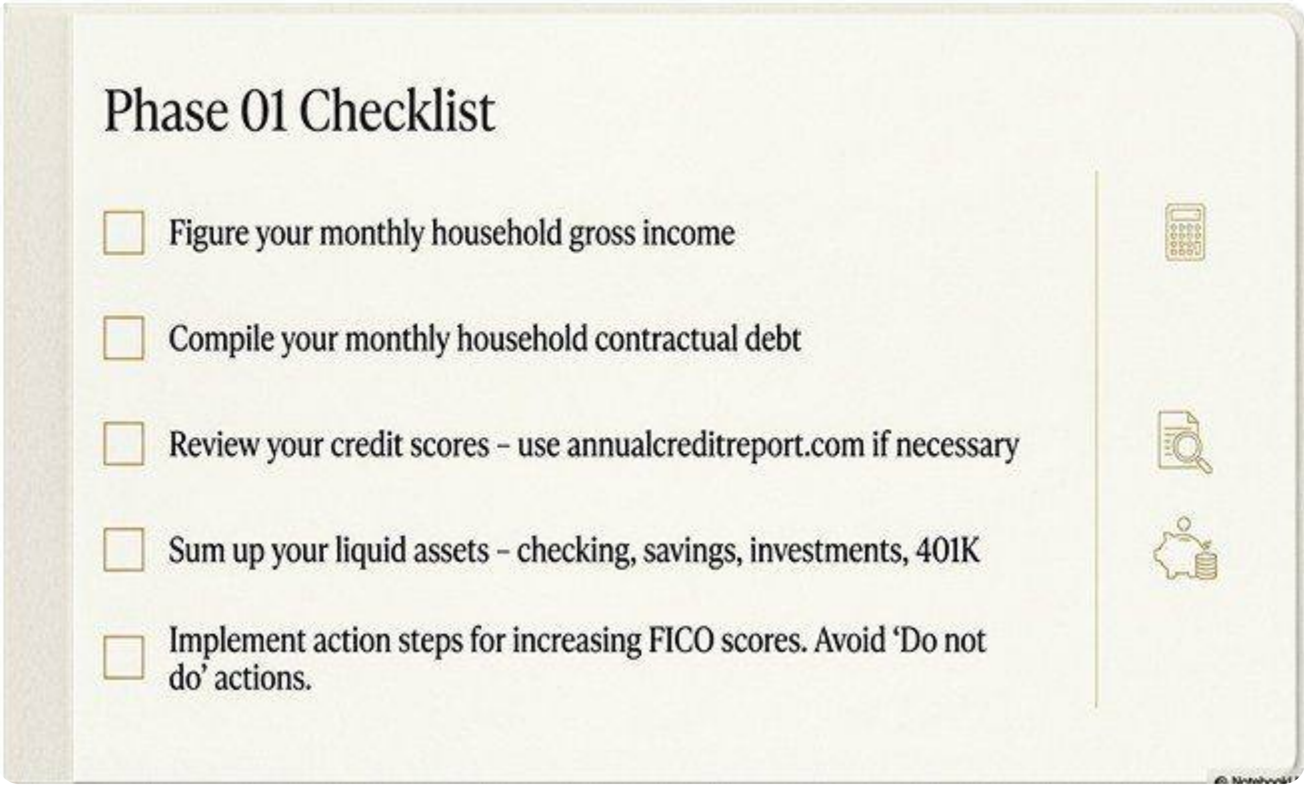
4. Secure the Document Vault At closing, **Terry the Title/Escrow Officer** handed you a massive folder containing your Settlement Statement, your Promissory Note, and your Deed. Do not leave this folder sitting in a random cardboard box in the garage. These are your foundational legal documents. Buy a fireproof, waterproof safe (or at least a highly secure filing cabinet) and lock them down. Come tax season, your CPA is going to need that Settlement Statement to write off your closing costs. Know exactly where it is.

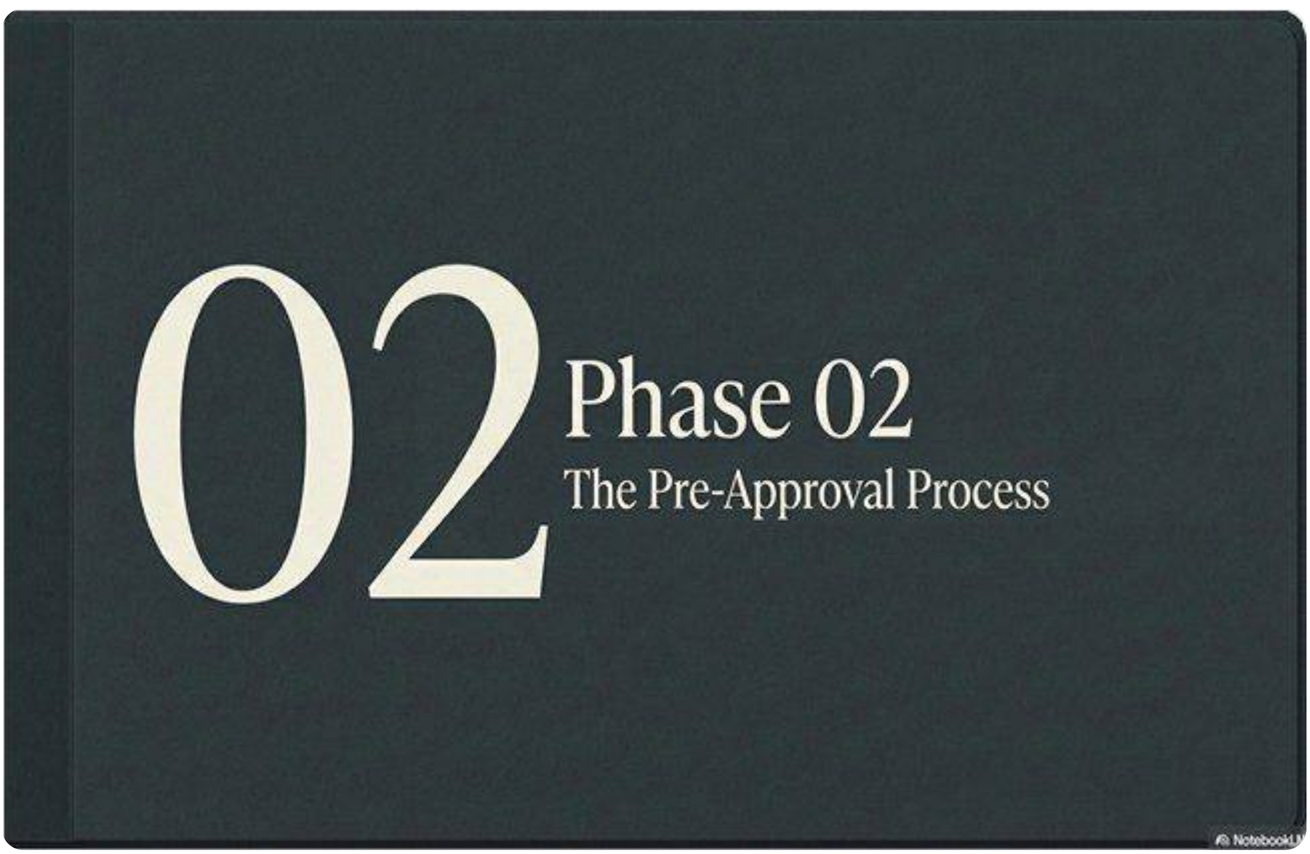
5. Do not buy the boat just yet but rather consider an emergency fund

Remember home ownership puts any repairs squarely on you and your pocketbook. Hold off if you can on the big-tag new purchases and consider funding a maintenance fund and adding to it every month with just a few hundred bucks. Give your bank account some recovery time to breathe. Live in the house for a few months before making massive aesthetic changes or taking on new debt. Let your new monthly budget normalize.


The Definitive Master Checklist
for the Homeownership Path


01
Phase 01
Assess Your Financial Foundation


Phase 01 Checklist
Figure your monthly household gross income
Compile your monthly household contractual debt
Review your credit scores – use annualcreditreport.com if necessary
Sum up your liquid assets – checking, savings, investments, 401K
Implement action steps for increasing FICO scores. Avoid 'Do not do' actions.


02
Phase 02
The Pre-Approval Process

Pre-Approval | Strategy & Assessment

- [ ] Research and select a seasoned loan officer/mortgage broker
- [ ] Strategize with the loan officer/mortgage on your goals
- [ ] Understand which will be your best loan program option
- [ ] Understand your home affordability, estimated payments and cash-to-close (CTC)

CTC = Cash to Close. The total liquid funds required on signing day.

Pre-Approval | Execution & Inquiries

Questions for your Loan Officer

- [ ] Ask your loan officer about 'rate buy-downs' or ARMs viability to lower your rate
- [ ] Ask your loan officer about potential DPA programs and how that affects CTC

Action Items

- [ ] Send financial docs to loan officer to generate pre-approval
- [ ] Begin paying down debts if advised
- [ ] Begin monthly savings plan if advised

03 Phase 03 The House Hunting Aspect

House Hunting Field Guide

- [ ] Interview and select a qualified and experienced real estate agent
- [ ] Sign Buyer/Rep agreement but agree to 2.5% commission!
- [ ] OPTIONAL - Use Ai to research vital information about neighborhoods you like
- [ ] Schedule multiple home viewings at once for efficiency
- [ ] Takes notes at each home especially of major systems - don't rely on your memory

PRO-TIP

04

Phase 04

The Offer and Negotiation Period

Offer and Negotiation Mechanics

- [ ] Review purchase offer with both your agent and loan officer to confirm strategy
- [ ] Have the closing date a few days before the end of your lease
- [ ] If seller counters, follow your countering plan from my book
- [ ] VITAL – get the home under contract even if terms are not agreeable to control deal

!

05

Phase 05

The Under Contract Period

Under Contract | Immediate Actions

- [ ] Convey to loan officer that you are under contract and deliver sign contract to him
- [ ] Immediately schedule the home inspector
- [ ] Arrange for delivery of Earnest Money Deposit (EMD) with title company
- [ ] E-Sign loan disclosures upon receipt from loan officer and processor
- [ ] Pay for the appraisal

EMD = Earnest Money Deposit. Demonstrates your good faith to the seller.

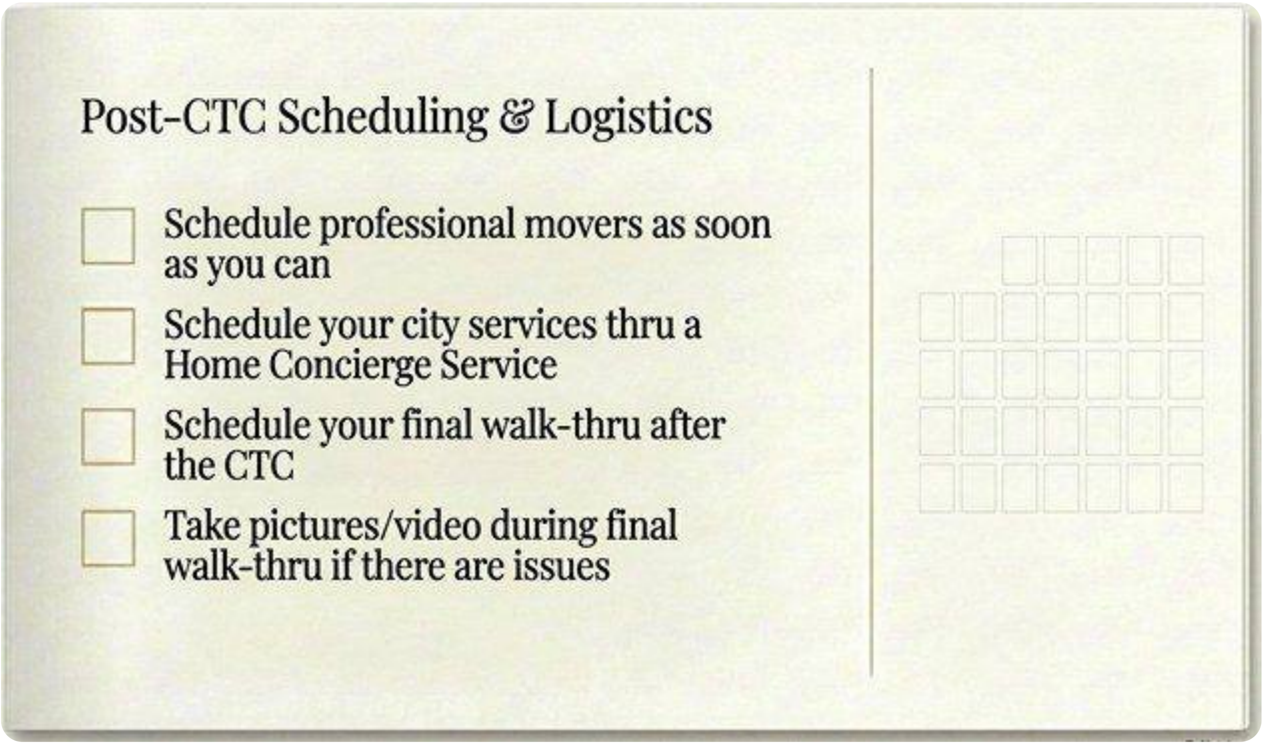
Under Contract | Secondary Actions

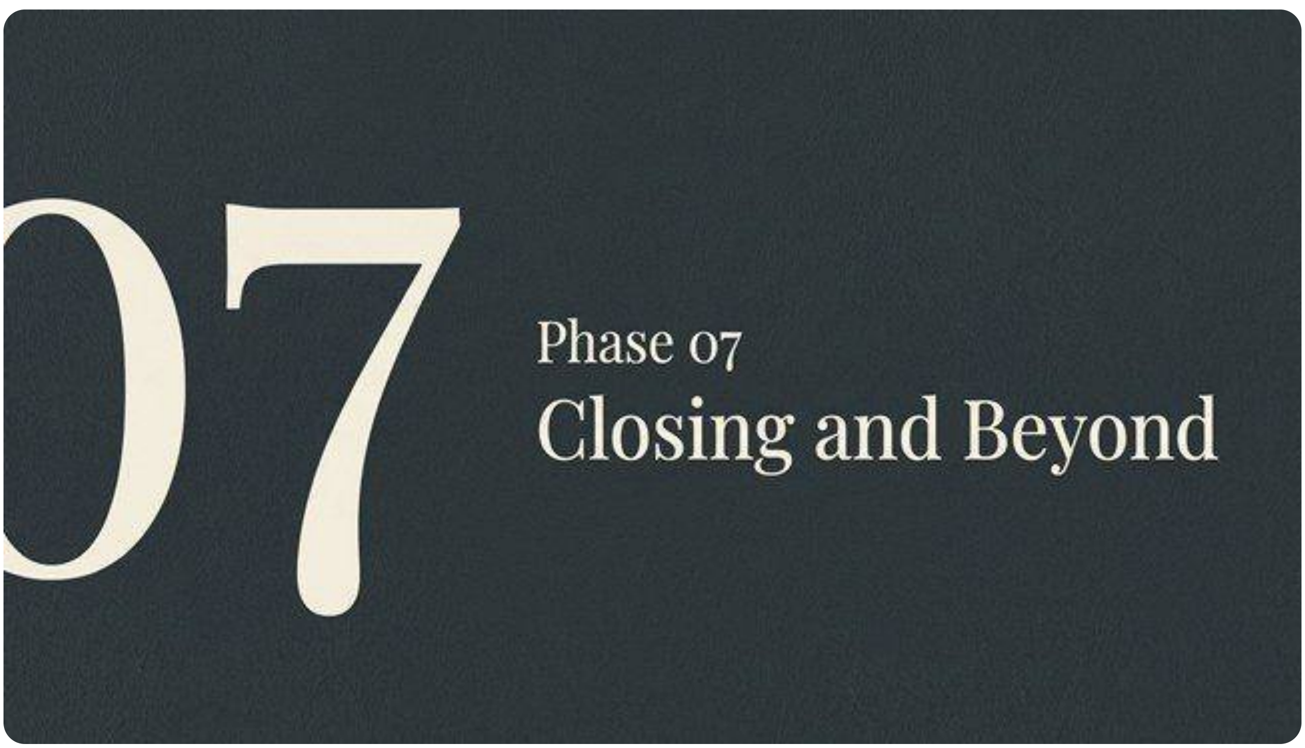
- [ ] Begin cooperation with loan processor to complete the file for the underwriter
- [ ] Begin shopping for home property insurance with insurance brokers
- [ ] Review inspection report with agent when completed
- [ ] Strategize to negotiate seller repairs if necessary or increase concessions
- [ ] Shop for Home Warranty coverage

06

Phase 06

Important Schedulings After Clear-to-Close (CTC) But Before Closing


Post-CTC Scheduling & Logistics
Schedule professional movers as soon as you can
Schedule your city services thru a Home Concierge Service
Schedule your final walk-thru after the CTC
Take pictures/video during final walk-thru if there are issues


07
Phase 07
Closing and Beyond

The Finish Line: Closing & Beyond

- [ ] Review Closing Disclosure to accept the final numbers and other terms
- [ ] Schedule closing with title rep, try to strategically get 10:00-10:30AM slot
- [ ] Understand how to pay at closing - wire or cashiers check and have it ready
- [ ] Get your keys after funding not actual closing
- [ ] File for Homestead Exemption days after closing - contact county for details
- [ ] Use 'Best Practices After You Move In' from this book to finish out everything
- ★ **Live happy and free in your first home! That is not a 'To-Do'. It's an order!**

The Essential First-Time Homebuyer Roadmap

A Step-by-Step Guide to Pre-Approval, Best Loan Options, House Hunting, Negotiation Strategies, and Closing on Your First Home

Glossary

- **401K account:** A retirement savings account that lenders may allow you to borrow against or use as proof of required cash reserves when qualifying for a mortgage.
- **Appraisal report:** A professional document detailing the estimated market value of a property to ensure the lender is not loaning more money than the home is actually worth.
- **Appraised Value:** The professional, objective estimation of a home's worth determined by a licensed appraiser to assure the lender they are making a safe investment.
- **Appraiser:** An independent, licensed professional hired by the lender to determine the objective fair market value of the home you intend to buy.
- **Area Median Income (AMI):** The midpoint of a region's income distribution used by lenders to determine a borrower's eligibility for certain down payment assistance programs and affordable housing loans.

- **ARM (Adjustable-Rate Mortgage):** A home loan where the interest rate periodically fluctuates based on market conditions after an initial fixed-rate period, potentially changing the borrower's monthly payment.
- **AUS findings:** The automated underwriting system's computerized response that evaluates a borrower's credit and financial profile to issue an initial loan approval or denial recommendation.
- **Authorized user:** A person legally permitted to use someone else's credit card, whose credit score can be positively or negatively impacted by the primary account holder's payment history during the mortgage qualification process.
- **Buy-downs:** A financing strategy where the buyer, seller, or builder pays an upfront fee at closing to temporarily or permanently lower the buyer's mortgage interest rate and monthly payment.
- **Buyer agent:** A licensed real estate professional who legally represents the homebuyer's best interests during the property search, negotiation, and closing process.
- **Clear-to-Close:** The final, highly anticipated approval from the lender's underwriter signaling that all loan conditions have been met and the loan is officially ready to be funded.
- **Closed:** The official status of a real estate transaction when all final documents have been signed by both the buyer and seller at the title company.
- **Closing date:** The mutually agreed-upon day when the buyer and seller sign all final legal documents to officially transfer ownership of the property.
- **Collections on credit:** Unpaid debts that have been turned over to a collection agency, which heavily damage a borrower's credit score and often must be paid off before a lender will approve a mortgage.
- **Contingency:** A protective clause in the real estate contract allowing the buyer to back out of the transaction without losing their earnest money if certain conditions, like financing or inspections, are not met.
- **Contract Contingency:** (See *Contingency*) A specific condition written into the purchase agreement that must be met for the transaction to proceed.
- **Conventional Loan:** A standard mortgage not backed by any government agency that typically requires a higher credit score and down payment compared to government-insured loans.

- **Counter Offer:** A formal response to an initial purchase offer where the seller or buyer changes the price, closing date, or terms of the agreement to continue negotiations.
- **Credit repair:** The active process of disputing errors and negotiating with creditors to improve a borrower's FICO score so they can qualify for a mortgage or secure a better interest rate.
- **Debt-to-income (DTI):** A key percentage used by lenders that compares your gross monthly income to your monthly debt payments to determine how much mortgage you can safely afford.
- **Disbursed funds:** The actual release of the mortgage loan money by the title company to pay the seller, real estate agents, and other third parties, completing the financial side of the transaction.
- **Down Payment:** The upfront portion of the home's purchase price that the buyer pays out of pocket, rather than borrowing from the lender.
- **DPA program (Down Payment Assistance):** Grants or secondary loans provided by local governments or non-profits designed to help low-to-moderate-income or first-time buyers cover their upfront purchasing costs.
- **Effective Date of Contract:** The exact date when both the buyer and seller have signed the purchase agreement and all initial terms are officially agreed upon, triggering the timeline for the transaction.
- **EMD (Earnest Money Deposit):** A good-faith deposit of cash made by the buyer when an offer is accepted to demonstrate to the seller that they are serious about completing the purchase.
- **Escrow account:** A special holding account set up by your lender where a portion of your monthly mortgage payment is deposited to pay for your property taxes and homeowners insurance when they are due.
- **FHA loan:** A government-backed mortgage insured by the Federal Housing Administration that allows buyers to purchase a home with a lower credit score and a down payment as low as 3.5%.
- **FICO scores:** A standard credit score ranging from 300 to 850 that lenders use to evaluate your credit history and determine your interest rate and loan eligibility.

- **Final walk-thru:** A brief inspection of the property by the buyer just hours or days before closing to verify the home is in the agreed-upon condition and any negotiated repairs were completed.

- **Financing Addendum:** A document attached to the purchase contract stating that the buyer's obligation to purchase the home is strictly contingent upon them successfully securing a mortgage.
- **First-Time Home Buyer (FTHB):** An individual who has not owned a principal residence within the last three years, which may qualify them for specific loan programs, lower down payments, and grants.
- **Fixed rate note:** A standard mortgage loan where the interest rate remains completely unchanged for the entire life of the loan, guaranteeing a predictable monthly principal and interest payment.
- **Fully Receipted Contract:** A purchase agreement that has been signed by all parties and officially received by the title company along with the buyer's earnest money deposit to formally begin the closing process.
- **Funded:** The milestone immediately following closing when the lender wires the actual loan money to the title company, allowing the keys to be handed over to the buyer.
- **Hazard or Property Insurance:** Also known as homeowners insurance, this policy is required by lenders to protect the home against damage from fires, storms, and other covered disasters.
- **HOA dues:** Mandatory monthly or annual fees paid by homeowners to a Homeowners Association to cover the maintenance of shared community amenities and common areas.
- **Home Concierge Service:** A modern utility or moving service that helps new homebuyers seamlessly transfer and set up their electricity, water, internet, and other essential services.
- **Home warranty:** A one-year service contract, often negotiated during the purchase, that helps cover the repair or replacement costs of major home systems and appliances that break down due to normal wear and tear.
- **Homestead Exemption:** A legal tax-relief program that allows a homeowner to protect a portion of their primary residence's assessed value from property taxes, thereby lowering their annual tax bill.

- **HVAC:** An acronym for Heating, Ventilation, and Air Conditioning, representing the home's primary climate control system that is thoroughly evaluated during a home inspection.
- **Initial Disclosures:** A legally required package of documents sent by the lender within three days of a loan application that estimates the buyer's interest rate, monthly payment, and total closing costs.
- **Inspection report:** A detailed document generated by a home inspector outlining the physical condition of the property, including any defects, safety hazards, or needed repairs.
- **Inspector:** A trained professional hired by the buyer to thoroughly examine the physical structure and mechanical systems of a house before the purchase is finalized.
- **Installment loans:** Debts such as auto loans or personal loans that are paid off in fixed monthly chunks, which lenders factor into your debt-to-income ratio when determining mortgage affordability.
- **Insurance agent:** A licensed professional who helps the homebuyer select and purchase the hazard or property insurance policy required by the lender before closing.
- **Insurance Declarations Page:** A one-page summary from your insurance carrier that the lender requires before closing, detailing your home's insurance coverage limits, deductibles, and annual premium.
- **Interest rate:** The percentage charged by the lender for borrowing the mortgage funds, which directly dictates the cost of the loan and the size of the monthly payment.
- **Lender (Bank):** The financial institution that provides the funds for your mortgage loan and sets the specific terms, interest rate, and repayment schedule.
- **Liquid assets:** Cash on hand or funds easily converted to cash—such as checking, savings, or money market accounts—that the lender verifies you have available for the down payment and closing costs.
- **Listing Agent:** The real estate professional who legally represents the seller's interests, marketing the property and negotiating to get the highest price and best terms for the current owner.
- **Listing Price:** The initial asking price set by the seller and their real estate agent when the property is officially placed on the market.

- **Loan Conditions:** Specific documents or actions requested by the underwriter—such as providing a missing bank statement or explaining a large deposit—that must be satisfied before the loan is fully approved.
- **Loan officer (Mortgage broker):** The financial professional who helps you select the right mortgage product, gathers your financial documents, and guides your loan application from pre-approval to closing.
- **Loan Submission:** The formal step where the loan officer and processor hand the borrower's complete file over to the underwriting department for official review and approval.
- **Market Value:** The estimated price that a willing buyer would pay and a willing seller would accept for a home in the current, competitive real estate environment.
- **MIP (Mortgage Insurance Premium):** A specific type of mandatory mortgage insurance required on all FHA loans to protect the lender in case the borrower defaults on the payments.
- **MLS (Multiple Listing Service):** A private, comprehensive database created and maintained by real estate professionals to share current property listings and facilitate
- **Mortgage Broker** - The financial professional who helps you select the right mortgage product, gathers your financial documents, and guides your loan application from pre-approval to closing. But the mortgage broker does not work for the lender.
- **Mortgage note:** The legally binding promissory document you sign at closing that outlines the specific terms of your loan and serves as your personal promise to repay the debt.
- **Mortgage payment:** The total amount paid to the loan servicer every month, typically encompassing the principal, interest, taxes, and insurance (PITI).
- **Mortgage statement:** A monthly document sent by your loan servicer detailing your current loan balance, the breakdown of your recent payment, and any escrow account activity.
- **Note Term:** The agreed-upon lifespan of the mortgage loan, most commonly 15 or 30 years, during which the borrower must repay the debt in full.
- **Offer Period:** The timeframe during which a buyer formally presents a purchase agreement to the seller and both parties negotiate the price and terms before finalizing the contract.
- **Option Period:** A negotiated timeframe, usually lasting a few days after the contract is signed, during which the buyer can conduct inspections and cancel the contract for any reason without losing their earnest money.

- **PITI:** An acronym standing for Principal, Interest, Taxes, and Insurance, representing the four main components that make up a buyer's total monthly mortgage payment.
- **Post-Closing:** The period after the transaction is finalized when the lender audits the loan file and the title company officially records the new deed with the local county government.
- **Pre-approval letter:** A formal document from a lender stating they are willing to loan you a specific amount of money based on a preliminary review of your credit and income, essential for making a competitive offer.
- **Prepaid interest:** The daily interest charges that accrue on your new mortgage from the day you close on the home until the end of that specific month, collected upfront at the closing table.
- **Principal and interest:** The core portion of your monthly mortgage payment that directly pays down the borrowed loan balance and covers the cost of borrowing that money.
- **Processor:** A detail-oriented professional working for the lender who gathers, organizes, and verifies all your financial paperwork before handing the file over to the underwriter for final approval.
- **Purchase offer:** The initial, legally binding written proposal submitted by the buyer to the seller outlining the price they are willing to pay and the specific terms of the proposed sale.
- **Purchase Price:** The final, agreed-upon amount of money the buyer will pay the seller in exchange for the ownership of the property.
- **Real estate agent:** A licensed professional who facilitates the buying and selling of real estate, acting as either a buyer's agent, a listing agent, or both.
- **Reserves:** Liquid assets, such as savings or checking account balances, that a lender may require you to have left over after closing to ensure you can make your first few mortgage payments.
- **Seasoning assets:** The lender's requirement that the funds intended for your down payment and closing costs must have been sitting in your bank account for a specific period, usually 60 days, to prove they were not recently borrowed.
- **Self-employed worker:** A borrower who owns their own business or works as a freelancer, requiring them to provide more complex documentation, like two years of tax returns, to prove their income to a lender.

- **Seller Concession:** Financial contributions made by the seller at closing to help cover the buyer's transaction costs or buy down their interest rate, usually negotiated into the purchase contract.
- **Student Loans:** Educational debts that significantly impact a buyer's debt-to-income ratio and must be carefully calculated by the lender, even if they are currently in deferment or forbearance.
- **Survey report:** A legal drawing produced by a surveyor that maps out the precise boundary lines, dimensions, and physical improvements of the property to ensure there are no encroachments.
- **Surveyor:** A licensed professional who measures and maps the property's physical boundaries, identifying property lines, fences, and easements required by the title company and lender.
- **Title Insurance:** An insurance policy usually required by the lender that protects both the buyer and the lender from financial loss due to undiscovered defects, liens, or legal disputes over the property's ownership history.
- **Title rep (Escrow officer):** A neutral third-party professional who executes the closing process, ensures the property title is clear, handles the transfer of all funds, and officially records the new deed.
- **Transaction Costs:** Also known as closing costs, these are the various lender fees, title charges, and prepaid expenses the buyer must pay at the closing table in addition to the down payment.
- **Under Contract Period:** The critical timeframe spanning from the day the purchase contract is fully signed to the closing date, during which inspections, appraisals, and loan processing occur.
- **USDA loan:** A zero-down-payment mortgage backed by the US Department of Agriculture designed to help low-to-moderate-income buyers purchase homes in designated rural and suburban areas.
- **UW (Underwriter):** The ultimate decision-maker at the lending institution who analyzes your credit, income, and the home's appraisal to determine if you meet the guidelines to be approved for the loan.

- **UW conditions:** Specific requests or final pieces of documentation demanded by the underwriter (such as an updated paystub or a letter of explanation) that the buyer must provide before the loan is fully "cleared to close."
- **VA loan:** A highly beneficial mortgage program backed by the Department of Veterans Affairs that offers zero-down-payment loans with no mortgage insurance to eligible military service members and veterans.
- **W2 hourly worker:** A traditional employee paid an hourly wage whose income is generally easy for lenders to verify using standard paystubs and W-2 tax forms.
- **W2 salary worker:** A traditional employee paid a fixed annual salary, making their steady, predictable income the easiest for mortgage lenders to calculate and verify.
- **Wire fraud:** A serious cybercrime where hackers intercept real estate communications and trick the buyer into wiring their down payment and closing funds to a fraudulent bank account instead of the legitimate title company.
- **Zillow:** A popular online real estate marketplace that allows consumers to browse home listings, view estimated property values, and research neighborhood data, though its automated estimates are not formal appraisals.