

# Preparing To Buy A Home

Checklist to Help You Get Ready to Buy a Home

## ARE YOU FINANCIALLY PREPARED TO BUY A HOME?



- Evaluate your **current income** and **expenses**
- Know your **credit score**
- Determine **what you can afford** for your monthly payment

- Determine **debt-income ratio**
- Build your **savings**
- **Debt reduction** or **elimination**



### Request Your Free Annual Credit Report

Submit a request online at [www.annualcreditreport.com](http://www.annualcreditreport.com)  
 Call toll-free: 1-877-322-8228  
 Complete the **annual credit report request form** either by completing the online form at [www.annualcreditreport.com](http://www.annualcreditreport.com) OR by printing out the form at [www.annualcreditreport.com](http://www.annualcreditreport.com) and mailing it to:

Annual Credit Report Request Service  
 P. O. Box 105281  
 Atlanta, GA 30348-5281




**NEVER SIGN  
 ANYTHING YOU  
 DON'T UNDERSTAND!**

### Some Costs Of A Mortgage Loan

**1 APR**  
 Shows the annual cost of borrowing



**2 Points**  
 A fee based on a percentage of the principal



**3 Pre-payment Penalty**  
 A fee if you pay off your mortgage early



### Target Your Search Through Pre-approval

**Know your numbers**  
 Learn how much you can finance and estimate your monthly payment

**Save time**  
 Search for affordable homes in your pre-approved price range



**Build seller confidence**  
 Let sellers know you are a serious and qualified buyer



## YOUR ROAD TO HOME OWNERSHIP

# Obtaining A Mortgage

## Preparing for the Closing Process



### DOCUMENTS NEEDED FOR YOUR MORTGAGE APPLICATION

- **Personal and business tax returns** from the past 2 years, if applicable
- **W-2s** from past 2 years
- **Pay stubs** from past 2 months
- **Bank account statements** from past 2 months
- Proof of **child support/alimony income**, if using for qualification
- Other **investment statements** from past 2 months
- Proof of **other assets and income** (land, real estate, collectibles, etc.)

### HOME PURCHASING COSTS/FEEs



### GLOSSARY OF TERMS

#### MORTGAGE APPLICATION

A form (typically Uniform Residential Mortgage Application, 1003) that the lender uses to record your personal information, the purpose of the loan, your income and assets, and other information needed during the qualification process. It's important to provide accurate information.

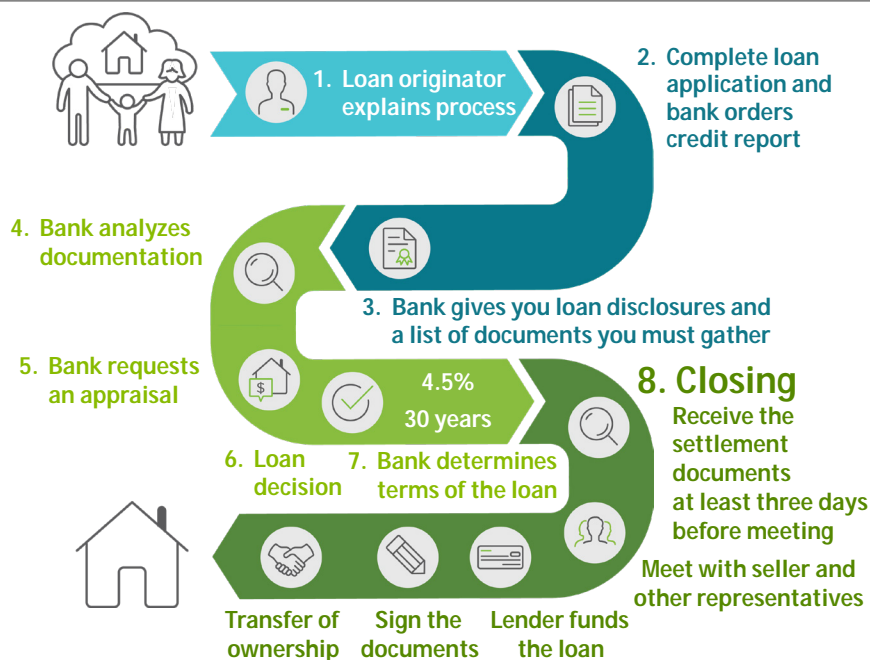
#### LOAN ESTIMATE (LE)

A form that gives you an estimate of closing costs and terms of your loan. The lender sends this to you after you complete your mortgage application.

#### CLOSING DISCLOSURE (CD)

A statement that lists all closing costs. CD itemizes all real estate commissions, loan fees, points, and escrow amounts, and provides information about your loan closing. It also shows the total cost of the loan over the entire term of the loan. Your lender must provide you this statement no later than three days before your closing date.

### CLOSING PROCESS



### DIGITAL RESOURCES

[regions.com/homebuying](https://regions.com/homebuying)

[regions.com/calculators](https://regions.com/calculators)

[regions.com/learn](https://regions.com/learn)

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# 5 Terms Homebuyers Should Know When Buying a House

Throughout the homebuying process, you'll navigate your way through lending options, home inspections, and escrow. While it can be tedious at times, you can streamline the process by understanding common terminology and best practices for buying a home.

Whether it's your first home or your fourth, here are some things you should know when buying a new home:

## PRE-APPROVAL:

A document from a lender that indicates how much they would be willing to lend to a homebuyer.

Multiple factors, such as household income and credit score, help determine how much funding a lender will approve. While it's not a guaranteed loan, obtaining a pre-approval before you place an offer on a home shows that you'd likely be able to secure financing if your offer is accepted.

## FIXED-RATE MORTGAGE:

A mortgage with an interest rate that does not change over the life of the loan.

One of the primary benefits of a fixed-rate mortgage is that the interest rate is locked in at the time the loan is made and remains constant throughout the life of the loan. Your monthly payment will be more predictable with a fixed interest rate, but keep in mind that your monthly payment may change based on insurance and property taxes if they are escrowed. A variety of terms are generally available to meet your needs.

## ADJUSTABLE-RATE MORTGAGE:

A mortgage with an interest rate that is based on an index plus a margin that can change over time.

The mortgage usually features a set rate and payment for a specific period of time. After that, the rate, and the monthly payment, can fluctuate based on changes in the underlying index — the WSJ Prime Rate is one of the most commonly used indexes. A potential benefit of an adjustable-rate mortgage is that the interest rate is generally lower than a traditional fixed-rate mortgage for the first portion of the loan term.

## HOME INSPECTION:

An assessment of a property's condition by a home inspector before a home's sale

A home inspector can help determine the quality of a home's foundation, roof, electrical, plumbing, and HVAC systems, as well as check for any damage caused by fire, flood, termites, or mold that could impact the home's value. If an inspection reveals that repairs are needed, you may be able to negotiate the related cost into the asking price. Remember that a "clean" home inspection is not a warranty.

## HOME WARRANTY:

A contract between a homeowner and a warranty company that provides discounted repair services—and sometimes replacements—for a home's major appliances.

If a home has older appliances, you may be able to negotiate with the seller to include a one-year home warranty to cover repair expenses on items like a dishwasher, furnace, or water heater.

The closing process varies by state, but once everything has been approved, you and the seller will sign the final paperwork to complete the transfer. Once you've made your down payment and accounted for the closing costs, your mortgage company will receive the deed to the property. When the escrow process is complete, you'll receive the keys to your new home.



# Understanding APR vs. Interest Rate

**Buying a home is an exciting milestone, but evaluating options for financing that home can feel daunting.**

When considering financing options, don't focus on a loan's interest rate alone to estimate its affordability. Understand a loan's annual percentage rate, or APR, for a more accurate picture of the total cost, which can potentially save you money over the loan's duration.

## Interest Rate and APR: What's the Difference?

While both interest rate and APR are used to describe the loans costs, it's important to distinguish between the two rates and what is included in each.

- Interest rate measures the amount of interest paid to the lender on the loan's outstanding principal each year. Your interest rate will be used to calculate the monthly payment but doesn't include extra mortgage-related costs.
- APR measures a loan's overall cost and factors in the interest rate as well as additional mortgage finance charges and other related costs.

## Why You Should Consider APR

When it comes to evaluating loans and determining what you'll pay, interest rate alone doesn't tell the whole story since it excludes factors such as mortgage insurance, closing costs and origination fees, which also contribute to a loan's entire cost. Looking at the APR, which evaluates the loan's total cost, is an accurate way to assess the total loan costs associated with fixed-rate mortgages based on the same amount of principal. For example:

|                                      | Loan A           | Loan B           |
|--------------------------------------|------------------|------------------|
| Term                                 | 30 years         | 30 years         |
| Loan Amount                          | \$250,000        | \$250,000        |
| Fixed Interest Rate                  | 4.5 percent      | 4.6 percent      |
| Closing Costs                        | \$5,800          | \$2,600          |
| APR                                  | 4.697 percent    | 4.689 percent    |
| <b>What You'll Pay Over the Term</b> | <b>\$456,018</b> | <b>\$461,380</b> |

Because it accounts for multiple expenses beyond a loan's principal and interest, the APR percentage is usually higher than the loan's interest rate. But it gives a more accurate look at your total cost over the term of the mortgage.

Comparing adjustable-rate loans is trickier because the interest rate fluctuates. Use Regions' mortgage calculator to help level the field when comparing adjustable-rate options.

## Consider All Loan Factors

Look beyond the principal and interest repayment of your loan, and factor in the additional costs that are calculated by the APR. Understanding the differences between interest rate and APR can help you determine which loan option is best for you.

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# NEXT STEP RESOURCES



## TOOLS AND RESOURCES



### Articles

Articles with tips and advice to help you take the next step toward your financial goals.

[Regions.com/Insights](https://Regions.com/Insights)



### Courses

A self-paced series of interactive videos covering financial wellness tips, accessible via mobile device, tablet, or desktop.

[Regions.com/Learn](https://Regions.com/Learn)



### Worksheets

Planning worksheets to help you break your goals down into manageable steps.

[Regions.com/NextStep](https://Regions.com/NextStep)



### Podcasts

Quick, educational podcasts with tips to help you achieve your personal and business goals.

[Regions.com/NextStepPodcasts](https://Regions.com/NextStepPodcasts)



### Webinars

Webinars on key financial wellness topics lead by Regions associates.

[Regions.com/NextStepWebinars](https://Regions.com/NextStepWebinars)



### Calculators

Interactive calculators that can help you budget and save for all of your goals.

[Regions.com/Insights/CalculatorLibrary](https://Regions.com/Insights/CalculatorLibrary)



### Learning for Kids

Fun, educational games and activities, focused on math and money, for Grades K-8.

[WeAreTeachers.com/Adventures-In-Math](https://WeAreTeachers.com/Adventures-In-Math)

## EXPLORE FOR MORE TIPS



### Family Budgeting & Saving

Family-friendly financial resources and advice to help families learn smart money habits.

[Regions.com/NextStepFamilyBudget](https://Regions.com/NextStepFamilyBudget)



### Navigating Homeownership

Guidance, tools, and resources to prepare for every step as a homeowner.

[Regions.com/NextStepHomeownership](https://Regions.com/NextStepHomeownership)



### Boost Your Money IQ with Financial Tips for Students

Insights and resources for students to make the most of their college experience without breaking their budget.

[Regions.com/NextStepForStudents](https://Regions.com/NextStepForStudents)



### Retirement Saving & Planning

Tools and resources to help you set saving goals and build your retirement plan.

[Regions.com/NextStepRetirement](https://Regions.com/NextStepRetirement)



### Saving For Your Next Vacation

Budgeting hacks and money-saving strategies to help you grow your vacation fund.

[Regions.com/NextStepVacationBudget](https://Regions.com/NextStepVacationBudget)



### Holiday Hacks

Spending, saving and budgeting tips for holiday shopping, activities, travel and more.

[Regions.com/NextStepHoliday](https://Regions.com/NextStepHoliday)



### Next Step for Business

Collection of resources for business owners to help to take their businesses to the next level.

[Regions.com/NextStepForBusiness](https://Regions.com/NextStepForBusiness)



## LEARN MORE

- 1 Make an appointment with a Regions banker:**
  - Call the Regions Green Line at 1-800-REGIONS
  - Go to [Regions.com](https://Regions.com) and click "Make an Appointment"
  - Visit any Regions branch
- 2 Visit the Next Step Financial Learning Center for free, online interactive videos:** [Regions.com/Learn](https://Regions.com/Learn)
- 3 Use our online resources including articles, podcasts, and calculators:** [Regions.com/NextStep](https://Regions.com/NextStep)



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