


The Complete Home Buying Guide for Gen X and Millennials

my MORTGAGE INSIDER

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Gen X and Millennials: Today's Homebuying Majority

Why gen x and millennials?

Gen X and Millennials make up the majority of today's home buyers. A full 59% of all homes sold were purchased by members of Gen X (born 1965-1979) and Millennials (born 1980-2000).

There's good reason for this trend. Gen Xers find themselves with stable incomes, growing families, and a desire to set down roots and invest in a home.

Millennials, also known as Gen Y, are eager to own a home of their own after renting or living with family or friends. Twenty-two percent of Millennials lived with a relative or friend prior to purchasing their own home.

Those born in 1965 and later are the first internet generation. They do a lot of their own research before ever consulting with a professional. They like to know about a subject and move forward on their goals quickly.

Family structures of Gen X and Millenial home buyers

- Married: 67%
- Single Female: 13%
- Single Male: 8%
- Unmarried Couple: 11%
- Other: 1%

Number of Children residing in household: Gen X and Millennials

- None: 42.5%
- One: 23.5%
- Two: 23%
- Three or more: 11%

Today's homebuyers are more empowered with information than their parents were when they bought a home. This is a great advantage, since it helps Gen X and Millennials shop around, avoid scams, and ultimately get the best value out of their home purchase.

This guide aims to empower you, the Gen X and Millennial home buyer, with the right information so you can make great decisions when buying a home.

Is it Time for You to Buy a Home?

You've heard the saying, "There has never been a better time to buy a house." But each person's situation is different. Is it truly the right time for you?

If you've asked yourself this question, you've come to the right place. Maybe buying a home truly is the next step in your life's journey.

The purpose of this home buyer's guide is to:

1. Help you decide if it's the right time for you to buy a home
2. Help you determine the best financing for your home
3. Help you eliminate surprises in the home buying process.

Purchasing a home is usually the biggest financial decision any of us make and it shouldn't be taken lightly. It's a long-term commitment.

Yet, as with any fulfilled commitment, there are numerous rewards. Owning a home results in:

- Wealth creation as your home appreciates
- Stability for your family
- Protection against rising rental rates
- The ability to modify your home as you see fit.

Determining the best time to buy a house boils down to a number of factors, including income, savings, credit history, and living needs, to name a few.

Here are some questions to ask yourself as you think about buying:

- Will you be living and working in the geographical area for the foreseeable future?
- Have you been responsible with credit accounts like auto loans and credit cards?
- Do you have the know-how or extra finances to make home repairs?
- Is your significant other "on board" with buying a house (without any arm-twisting from you)?
- If you plan on a family in the future, can you afford to buy a larger home than you need now?

If you answered yes to all or most of these questions, it's a good sign that you are ready to buy a home.

But there's one other issue you should examine: Stress.

The Holmes and Rahe Stress Scale, the landmark 1967 study, ranked the top 43 most stressful life events. Here are how some common life events rank:

- #7 Marriage
- #14 Gain of new family member
- #16 Change in financial state
- #18 Change to a different line of work
- #20 A large mortgage or loan
- #22 Change in responsibilities at work
- #28 Change in living conditions
- #32 Change in residence

In short, if you've had major changes in family and work recently, it may be wise to avoid adding to your stress by buying a house. After all, homeownership is all about the pursuit of happiness, and stress can derail that pursuit.

If you think you're a prime candidate for homeownership, click here to start the prequalification process now. Then, go to the next step: creating a budget.

Start with a Budget

Whether it's a Fortune 500 company or a family of four, major financial decisions should begin with a budget. Use your bank statements for the past three or four months to determine where you are spending your household income (utilities, food, rent, insurance, etc.) and then calculate a monthly average for each category. Are there any savings left over?

What sacrifices did Gen Xers and Millennials make to purchase their home?

- Cut spending on luxury items and non-essentials: 39.5%
- Cut spending on entertainment: 32%
- Spent less on clothes: 24.5%
- Canceled vacation: 13.5%
- Sold or did not buy vehicle: 7%
- 2nd job/other: 12%
- Did not need to make any sacrifices: 45%

There are plenty of online resources that analyze your spending by gathering data from checking accounts and credit card statements automatically. They tally up what you are spending in each category. Try out one of these services. You might be surprised at how much you're spending on non-essentials.

Once you've analyzed your spending, see if there are areas where you could cut back to create more savings. Do you regularly order fast food or go out to restaurants? What about those daily visits to the coffee shop? They all add up.

As far as your monthly expenses, it's wise to have a cushion after making the monthly mortgage payment for unexpected events such as car repairs or healthcare. If you are planning on buying an older house, you may need extra money to take care of repairs that crop up.

Sometimes you can buy a home with only a slightly higher monthly payment than you're paying in rent. If this is the case, congratulations, you've already proven you can handle the payment. Click here to prequalify for a home loan.

When you can get a better view on your monthly income and expenditures, you'll be in a much better position to gauge whether you are ready to move up to home ownership or be patient for a little while until your personal finances catch up to your aspirations.

Gen X (born 1965-1979) & Millennials (born 1980-2000) represent 59% of all home buyers

Let's Talk Money

"So how much do I need to buy a house" is one of the most common questions from new homebuyers. The only answer is that it varies GREATLY.

Each loan type has a different down payment requirement. In addition, you'll have to pay closing costs or negotiate that the seller pays them for you. Likewise, the home price determines many costs, and closing costs vary between lenders. These factors make it nearly impossible to tell you up front how much it takes to buy a home.

But we can give you two examples to show the potentially extreme difference in costs needed. Both scenarios are based on a $250,000 purchase price.

Keep in mind that the loan program has little to do with whether the seller pays the closing costs. That's determined by the negotiated purchase contract. These are simply two possible scenarios. That said, here are the examples:

Scenario 1: FHA loan, all closing costs paid for by seller

Down Payment 3.5%	$8,750
Loan origination 1%	$2,500
Processing fee	$495
Underwriting fee	$650
Wire	$25
Appraisal	$450
Credit report	$30
Tax service fee	$50
Flood certification fee	$10
Closing/Escrow fee	$400
Title insurance fee	$500
Recording	$100
Prepaid property taxes	$1,040
Prepaid homeowner's insurance	$720
Total	$15,720
Less closing costs paid for by seller	-$6,970
Total needed	$8,750

Scenario 2: Conventional 5% down loan with PMI, no costs paid by seller

Down Payment 5%	$12,500
Loan origination 1%	$2,500
Processing fee	$495
Underwriting fee	$650
Wire	$25
Appraisal	$450
Credit report	$30
Tax service fee	$50
Flood certification fee	$10
Closing/Escrow fee	$400
Title insurance fee	$500
Recording	$100
Prepaid property taxes	$1,040
Prepaid homeowner's insurance	$720
Total	$19,470
Less closing costs paid for by seller	0
Total needed	$19,470

These scenarios are identical except for the loan program chosen and whether the seller helped with closing costs. Yet, the difference between the upfront costs is $10,720.

So what do you do with this information? The first step is to find out which loan program is best for you. That can make all the difference.

For example, if you qualify for a USDA loan or VA loan, it would eliminate the need for a down payment. And, if the seller pays all your closing costs, you could literally buy a home with little to nothing out of your pocket.

To see which loan programs you qualify for, click here to complete this short online form.

How Much Can I Afford?

This is a question that's wise to ask, but only you can answer it. Later we'll talk about how a lender pre-qualifies you, but did you know that sometimes you can be pre-qualified for more than you want to spend?

Here's a great strategy to determine how much you can (or want to) afford:

- Complete your budget, factoring in expenses you plan to cut out.
- Determine the maximum amount you want to spend each month on housing.
- Give this dollar amount to a knowledgeable loan officer.
- Have the loan officer work backwards. He or she will figure out principle and interest payments on the loan, as well as estimated property taxes, homeowner's insurance, and homeowner dues if any.
- The loan officer will tell you the maximum purchase price based on your desired all-inclusive monthly payment.

By working backwards, you avoid a situation where you are qualified for more than you want to pay.

Potential Monthly Payments

Scenario 1: FHA loan monthly cost with 3.5% down payment

Principle and Interest	$1,243.77
Mortgage Insurance	$269.41
Estimated Homeowner's insurance	$208
Estimated Property taxes	$60
Total	$1,781.18

Scenario 2: Conventional mortgage with private mortgage insurance and 5% down

Principle and Interest	$1,238.91
Mortgage Insurance	$132.60
Estimated Homeowner's insurance	$208
Estimated Property taxes	$60
Total	$1,639.51

Keep in mind that these are very general estimations. Your property taxes and insurance, and mortgage interest rate may be higher or lower, making your monthly costs significantly different.*

Though the FHA loan requires 1.5% less in down payment - $3,750 in this case – it would cost $142 more per month. So, there's give and take when it comes to selecting a loan type.

To learn more about loan types, keep reading or contact a mortgage professional here. Now that you have a general idea of how much it may cost to purchase a home and make a monthly payment, it's time to shop for the mortgage.

Contact Us for More Information

If you have further questions about buying a home, real estate, or any of the subjects covered in this guide, feel free to complete this short online form.

*These scenarios based on 720 credit score, property in WA. FHA rate 4.5%, APR 5.823. Conventional rate 4.75%, APR 5.407.

Shopping for a Mortgage

Unless you have accumulated enough wealth to pay cash for a house, you will need help acquiring a place of your own. This could mean a loan from a financial institution or a gift from a family member—or both.

Depending on your personal status and credit history, you may qualify for a mortgage loan with a low down payment. In fact, at least two kinds of mortgage loans can be made with no money down.

Once you've developed your budget and know how much of a monthly payment you can afford, it's wise to get pre-qualified for a mortgage loan before actually looking for a prospective house. There are several reasons for doing this.

1. Getting pre-qualified helps you refine a budget and set your expectations. It gives you a firm idea of how much house you can qualify for.
2. You won't be able to make an offer on a house until you're pre-qualified. The seller's agent won't seriously consider your offer with no lender's approval included.
3. Your offer will be accepted over another offer if you have a strong pre-qualification letter inc-luded with your offer.

To see if you qualify to buy a home, click here to complete a short online form.

What is a Pre-qualification?

Pre-qualification is not a guaranty or loan commitment. Think of it as the first step in the loan process. It's a letter saying that the bank can approve you for the loan, based on all the information available now.

To give you such a letter, the lender will pull your credit report to determine your credit history. You will be asked to submit documentation such as pay stubs, W2s, bank statements and possibly tax returns.

The lender will look at your debt-to-income ratio to make sure you will have enough money left over after you pay the mortgage for everyday living expenses. The debt-to-income ratio, or DTI, is the amount of debt you will have, including your new house payment, compared to your gross income.

If you qualify, the lender will issue a pre-approval. Once you have this piece of paper, you can start looking for a home within the approved price range.
Start the pre-qualification process by clicking here.

What kinds of loans are available?

When you shop for a mortgage loan, you will find there are many different kinds designed to suit various needs. Mortgage loans can take the form of conventional loans or government-backed loans such as VA and FHA. Government-backed loans are guaranteed or insured through the federal government while conventional loans are insured through private companies if the down payment is less than 20 percent.

Generally, mortgage loans can be used to finance the purchase of single-family homes, 2- to 4-unit housing, condos, townhouses and manufactured homes.

- The maximum debt-to-income ratio varies based on loan type. For FHA, often a 45% debt-to-income will qualify, but with a conventional loan, sometimes the maximum is 40% or less.

- For instance, if you make $5,000 per month, you might qualify for an FHA loan if your house payment plus other monthly payments equal $2,250 or less. But, your total obligations may have to be $2,000 or less with a conventional loan.

Fixed Vs. ARM

Most mortgages, whether they are conventional, VA, or FHA, come with the option of either fixed or adjustable interest rates.

Adjustable rate mortgages, or ARMs, may start out with a lower interest rate than fixed loans, but they fluctuate in relation to a financial index. That means you may start off with low payment that could rise in the future.

ARMs come in a variety of forms. The most popular ones are 3-, 5-, and 7-year ARMs, also called 3/1, 5/1, and 7/1 ARMs. These are fixed for 3, 5, or 7 years, then start adjusting.

Did Gen X and Millennials choose a Fixed Rate Mortgage, or ARM?

- Fixed rate mortgage: 93%
- ARM with initial fixed period: 3%
- Adjustable mortgage (no fixed period): 1.5%
- Don't know: 2% (Hint – don't be in this category!)
- Other: 0.5%

An ARM might make sense if you plan to live in your home for a short time, or plan to refinance within a few years. But keep in mind that many people get an ARM, then plans change.

Luckily, ARMs come with caps. For instance, if you have a 5 year ARM at 3.5% and it has a 5% cap on it, the most your interest rate will ever be is 8.5%. So, if you do get stuck in your home long term, there's that safeguard. Just make sure you will be able to afford the maximum interest rate before agreeing to an ARM.

With fixed rate mortgages, the interest rate, and principle and interest payments don't change through the life of the loan. The only changes that may occur in the monthly payment will be annual adjustments for taxes and insurance.

A fixed rate loan is a great option for those who might be in the home in 7 or more years and don't want to deal with higher payments down the road.

Rates are incredibly low, so a fixed rate will put you in a great position to have an affordable housing payment well into the future.

Loan Terms (Length of the Loan)

Most mortgage types have available terms of 15 or 30 years, although 10, 20, and 25 year terms are sometimes available. A 30-year mortgage results in

much more interest paid over the life of the loan, but the monthly payments lower.
A shorter-term loan usually results in a lower interest rate but a higher monthly payment.
Although most first time homebuyers opt for a 30 year loan, many choose a 15-year and will own their home outright much quicker.

- Median household annual income of Millennial Home Buyers: $66,200
- Of Gen X buyers: $93,100

Private Mortgage Insurance

Private mortgage insurance (PMI) is an insurance policy you purchase on a conventional mortgage with less than 20% down.

PMI is usually paid monthly and is collected with your mortgage payment.
Why is PMI necessary? Loans with less than 20% pose a risk to the lender. If the borrower defaults, the lender will probably lose money in the foreclosure process. A PMI policy protects the lender. Without PMI, conventional loans with less than 20% down would not be available.

PMI is typically best suited for borrowers with high credit scores. That's because PMI is risk-based, much like car insurance. If you have a history of making payments on time, your monthly PMI costs will be lower.

If you have bruised credit, your total monthly payments conventional loan payments might be more than with an FHA or USDA loan.
Make sure your lender shops around for PMI. Your lender selects the PMI company from a number of choices. PMI companies will have varying monthly costs based on your scenario. Click here for a free PMI quote.

Conventional Mortgage

The Conventional loan is a popular method of home financing because the down payment can be as low as 5%. Conventional mortgages have lower upfront costs and often lower monthly mortgage insurance costs than some government-backed instruments. Conventional loans require higher credit scores to qualify. A minimum credit score of at least 640 or 660 is usually required to be considered for this loan. Keep in mind that lenders may add fees or quote a higher rate for scores below 740. Click here for a conventional loan rate quote.

Although the borrower must meet established guidelines for credit scores, income and minimum down payment, conventional loans are ideal for borrowers with excellent credit, good income and asset reserves in the bank.

FHA Loan

The Federal Housing Administration (FHA) loan has been a great tool for first time homebuyers who would not have been able to buy a house otherwise. FHA loans require a minimum down payment of 3.5% of the purchase price. These loans have attractive rates, and less stringent credit guidelines. The FHA loan has enabled millions of people to get into their first home.

Borrowers who have had credit issues in the past or have limited assets may qualify for FHA financing. This government-run program insures lenders against financial loss in case the borrower defaults on the loan.

What loan type did Gen X and Millenials choose?

- Conventional: 43.5%
- FHA: 39%
- VA: 8.5%
- Don’t Know (Don’t be in this category!): 4.5%
- Other: 4.5%

With an FHA loan, the seller can pay most if not all your closing costs. In addition, you can use gift money for the down payment and you may be able to use a co-signer.

There are some disadvantages with FHA loans. All FHA loans require monthly mortgage insurance, which varies based on the term of the loan and the loan-to-value (loan amount compared to the value of the home). There is also an upfront fee required, which can be financed into the loan amount.

FHA mortgage insurance fees are 1.75% upfront and 1.35% monthly*. For a $200,000 mortgage, that's $3,500 upfront (added onto your loan amount) and $225 per month. For new loans at 90% loan-to-value or less (more than 10% down), the monthly mortgage insurance premium will be payable for at least 11 years. For a down payment of less than 10%, FHA mortgage insurance will be payable for the life of the loan.

You may be able to refinance into a conventional loan later on when the house has built equity so that the mortgage insurance can be eliminated.

FHA's minimum credit score for the program is 500, but lenders generally set higher guidelines. Some lenders may require a minimum credit score of 620 or higher.

FHA official ratio requirements are as follows:

29% of household income for the house payment itself (principle, interest, property taxes, home owner's insurance, and homeowner's association dues if any)

41% for the house payment plus all other monthly debt payments.

But keep in mind that lenders can often approve debt ratios considerably higher than these standard figures, especially for borrowers with good credit.

To see if you qualify for an FHA loan, complete a short online questionnaire here.

*For the most recent FHA mortgage insurance rates, see our FHA page.

The USDA Home Loan

The USDA Rural Development home loan is a great option for borrowers with little or no money to put down on a home. This home financing program is administered and guaranteed by the United States Department of Agriculture (USDA) and is designed to assist low-to-moderate income borrowers in rural areas.

Of all buyers, what percentage in the age group were first time home buyers?

- Age 34 and younger (Millenials): 79% were first time home buyers
- Age 35-49 (Gen X): 36% were first time home buyers

The USDA loan allows for 100% financing of an eligible home's purchase price. That's right - no money down.

A USDA loan requires an upfront mortgage insurance premium of 2.0%, which can be financed into the loan. The loan also has a low annual fee of 0.50%*, 1/12th of which is paid each month with the mortgage payment.

For example, on a $200,000 loan, there would be a $4,000 upfront fee and $83 per month added to the mortgage payment. The total loan amount would be about $204,080 including the upfront fee.

To be eligible for a USDA loan, your income must be at or below 115% of your area's median income. Check your USDA eligibility by clicking here.

For example, if your geographical area's median income is $60,000, your income could be up to $69,000 to be eligible for a USDA loan. For median income charts for your area, see USDA's website.

The property you plan to buy must be designated "rural" by the USDA. Approximately one-quarter of populated communities in the United States are eligible for USDA loans, including many suburban areas. To determine if your area is eligible for these attractive loans, consult the USDA's website.

USDA's eligible areas are scheduled to change on October 1, 2015. If you plan to buy a home after this date, check USDA's site to make sure your area is still eligible.

The USDA loan, which only offers a 30-year fixed rate choice, and the rates are great.

As a bonus, the seller is allowed to pay most or all your closing costs. You can even use gift funds from family members and other eligible sources.

The qualifying DTI is 29/41, meaning your house payment can be 29% of your income, and your house payment plus all other debt payments can be up to 41% of your income.

Most lenders require a minimum 640 credit score to qualify.

*For the most recent fees, see our USDA page.

VA Loans

VA guaranteed loans honor those who have served in the U.S. military. The VA home loan program does not require a down payment. The guaranty means private lenders are protected against loss if the borrower fails to repay the loan.

Veterans must meet certain criteria, such as having a good credit rating and the intention of occupying the home.

VA loans have less stringent underwriting standards and requirements than conventional loans. An added bonus of this program is that monthly mortgage insurance is not required.

Prior living arrangement

Living Situation	Age 32 and younger (Millennial)	Age 33-47 (Gen X)
Rented Apartment or House	65%	50%
Owned Previous Residence	12%	42%
Lived with Parents, Relatives or Friends	22%	7%
Rented Home they Ultimately Purchased	1%	1%

So, Which Loan Program is Best?

The best mortgage depends on your situation. You may qualify for 1, 2 or even all 4 types of mortgages. Or, you may only qualify for one. Together, you and your loan officer will examine your situation and choose the loan program that offers the best monthly payment and terms for you.

Start the process of purchasing a home at MyMortgageInsider. We can get you pre-qualified and let you know the areas in which to look for a home. Complete the short contact request form and we'll get you started toward home ownership.

Contact Us for More Information

If you have further questions about buying a home, real estate, or any of the subjects covered in this guide, feel free to complete a simple contact request form and we'll be in touch.

Working With a Real Estate Agent

Buying a home has become much more complicated in recent years, with expanding regulations and other requirements. Most first time home buyers rely on the expertise of a real estate agent to find a prospective house, provide guidance and to help negotiate with the seller.

Real estate agents are familiar with specific communities; they know about the quality of school districts as well as recreational and shopping opportunities there. Many agents will market to specific neighborhoods in efforts to list owners' homes for sale.

One way to find a real estate agent is to look for their signs in neighborhoods where you would like to live.

Make a weekend of it. Drive around your favorite neighborhoods and pick up the flyers from the "For Sale" posts to determine asking prices, square footage and amenities. Are these homes really in your price range? You should have an idea, now that you are pre-approved for the mortgage.

Top ways that Millennials and Gen Xers found their Real Estate Agent

- Referred to, or is a friend, neighbor, or relative: 46.5%
- Internet web site: 10%
- Used agent previously to buy or sell: 7.5%
- Saw contact information on For Sale/Open House sign: 6%
- Visited an open house: 5.5%

If the homes are out of your price range, or just not the right fit, the real estate agents who have listed these homes have access to literally thousands of other homes for sale through a Multiple Listing Service (MLS). You can learn about the age of the house, the square footage, size of rooms, property taxes, utility bills, etc.

A good agent may even be aware of area homes that will soon be listed. Ask if you can preview a property before it's officially on the market.

Get advice from friends or co-workers who have recently bought or sold a house. Would they recommend their agent?

Make appointments with at least two or three agents to discuss the sales process, how they work and how they can help you find the right house. It doesn't cost you anything to interview these professionals. You want to find a competent agent you are comfortable with.

Realty agents work on commissions that are usually paid by the seller. Unless you have signed a "Buyer Agency Agreement," or equivalent document, the agent may technically be acting as a sub-agent to the listing broker who represents the seller. Therefore, you should not feel compelled to reveal your personal or financial information to the agent because he or she may be obligated to disclose certain information to the seller.

Nevertheless, a good agent will work in your best interests in hopes that you will recommend them to friends or perhaps one day hire them
then you decide to sell a house.

Top benefits provided by the Agent, according to Gen Xers and Millennials

- Helped me understand the process: 67.5%
- Pointed out unnoticed features/faults with the property: 56%
- Improved my knowledge of search areas: 43%
- Negotiated better sales contract terms: 46%
- Negotiated a better price: 36%

Where Do You Want to Live?

Most people now live in or near major cities. That's where the jobs are.

If you have the ability to live in suburbs or the country, generally you will find housing less expensive and often newer. Living farther away from employment centers will make your commute to work longer and you'll have to travel farther to take in entertainment events in the city.

Urban residents live closer to many employers and are within walking distance to theaters, restaurants and schools. Older sections of cities may offer more distinctive house designs that may appeal to your lifestyle.

Top services Gen Xers and Millennials want from a Real Estate Agent:

- Help me find the right property: 50%
- Help me with price negotiations: 12%
- Help me negotiate terms of the sale: 11%
- Tell me how much comparable homes are selling for: 8.5%
- Help me with paperwork: 7%

Wish List

Make a wish list of your desires. How many bedrooms do you need? Would you like a large back yard or can you live without one altogether? Amenities such as a fireplace, pool or spa may fit your price range. How close are schools and churches?
What don't you want? Make a list of that as well.

New Versus Resale House

Do you prefer a new house or an older resale model? New houses are usually sold by homebuilders who develop entire communities or infill lots. You can find homebuilders' advertisements in weekend newspapers and details about their developments on websites.
There are several reasons to consider a new home. You may be able to customize your living space, including kitchen appliances, counter tops, flooring, colors, and floor plans. Since materials are new, repairs and maintenance worries are minimized. Most new houses come with a warranty to protect against defects in construction and appliances. New homes are usually pre-wired for the latest technology such as high-speed internet, security features and cable outlets. In addition, new homes tend to have an energy efficient design.

Resale homes, on the other hand, more likely will be located near metro areas so your

daily commute would be closer. Older houses have mature landscaping and established lawns that add extra appeal for some homebuyers. Resale homebuyers may also have more negotiating power than new homes since homebuilders tend to have set prices.

While resale homes have older appliances such as air conditioners, furnaces, water heaters and dishwashers that may require maintenance, many homeowners will purchase a one-year warranty that transfers to the buyer after move-in for added peace of mind.

What Type of House Is Right for You?

The single-family home is almost etched into our DNA as the definition of the American Dream. This house offers a private back yard with room for recreational equipment, pool or garden in a quiet setting. On the negative side, the single-family home tends to be more expensive than other living categories and requires more maintenance.

Condos, townhomes and other types of attached housing are more affordable than comparable single-family homes and you don't have to plan your weekends around yard work or maintenance. There are common walls (walls shared with neighbors), which means there could be less privacy and more noise.

Buy Big or Small?

Do you plan to have a family? Or take up a hobby that requires a large garage?
Sometimes it's worth stretching your finances a little if you think you'll need a bigger home or property later. It's incredibly expensive to sell a home, so it may be worth buying once and avoid selling later.

Type of home Millennials and Gen Xers purchased:

- Detached single family home: 82.5%
- Townhouse: 6.5%
- Condo: 4.5%
- Duplex: 1.5%
- Other: 5%

Here are some expenses you can expect if you sell a $250,000 home:
Real Estate Commissions, 6%: $15,000
Local and State Property Taxes, 1%-2%+: $2,500 - $5,000+
Seller's Closing costs, 1%: $2,500
Help with Buyer's Closing Costs, depending on current market, 1%-3%+: $2,500 - $7,500+

That's right, it could cost you upwards of $30,000 in your hard earned equity to sell your home. You've heard the saying, "Go big or go home." Well, it might pay to do both.
Click here to get pre-qualified to buy a home.

What's the Area Like?

Before you fall in love with a house, there are a few more considerations. Check out the school district if you have children or are planning a family. You may be able to find out how the local schools scored in standardized tests. You also may want to check with the local police department/precinct about crime rates in the ZIP code.

Before you buy, drive by the house at night to determine traffic patterns and noise levels. What may appear to be a quiet neighborhood during the day may be quite different at other times. If traffic noise doesn't bother you, you'll find homes on busier streets can be thousands of dollars cheaper.

Before you buy a resale house, make the sale contingent upon passing a professional inspection. Hire an inspection service to go over the house with a fine-tooth comb and ask the inspector for a report on any defects found. This step takes some of the emotion out of the transaction and provides more confidence in your final decision.

When you've found the "perfect" home that appears to be in your price range, it's time to make an offer. But be cautious here, because many first-time homebuyers let their emotions get the better of them and you may end up paying too much.

Contact Us for More Information

If you have further questions about buying a home, real estate, or any of the subjects covered in this guide, feel free to complete a simple contact request form and we'll be in touch.

Negotiating the Sale

Now is the time to gather information that will help you make an intelligent offer. Your real estate agent can help you determine the fair value for the home. Your agent has access to Comparable Market Analyses (CMAs) that show the sales prices of similar properties. It's important to get the sales price and not listing price because they can be thousands of dollars apart.

The CMA will likely provide information about the number of bedrooms and baths, square footage, features and, of most importantly, the selling price. When looking at "comps" (comparable homes) in the neighborhood, it's important to compare apples to apples: i.e., the same number of bedrooms and baths, similar size, similar upgrades/remodels, garage versus carport, etc.

Some of the main reasons Millennials and Gen Xers buy a home:

- Desire to own my home: 41%
- Desire for a larger home: 13%
- Job-related relocation: 9.5%
- Change in family situation: 8.5%
- Affordability of homes: 9%

If you are not dealing with a buyer's agent, you may not have access to a CMA. This is one reason it's advisable to consider buyer's representation. You may be able to find comps on your own through newspaper reports, the internet or marketing flyers from realty agents.

Once you have the information in hand, drive by the properties that have sold to check out their condition. Their appearance compared to your potential house may make you want to adjust your offer. Another factor in the offer is the kind of amenities the comps have compared to the one you have chosen. A fireplace, a remodeled kitchen, and an enclosed garage will add more value to a home than one without these amenities.

Ask why the owner is selling. A homeowner may be motivated to sell because of a job change, unemployment, divorce or pending foreclosure. The motivated seller may take your first offer and may not even negotiate.

But, you don't want to be insulting with a low-ball bid. If comparable houses are in the $200,000 to $225,000 price range, it would be counterproductive to offer $145,000.

The owner may balk at even making a counter-offer. However, depending on market conditions (rising home prices versus declining prices), some real estate professionals advise making the first offer 5% below the asking price. You can always raise the offer later, unless that's all you can afford, then there's not much room for negotiation.

If the seller declines your offer, you may receive a counter-offer within days. If the price is not to your liking or out of your price range, you must be able to walk away. As the buyer, you have the upper hand because you don't need to buy that particular house as much as the owner may need to sell.

Main reason for the timing in which Millennials and Gen Xers purchased a home:

- It was the right time/I was ready: 39.5%
- It was the best time due to affordability: 20%
- I had to purchase when I did: 12%
- Best time due to financing options: 14%
- Best time due to availability of homes: 6.5%
- Other 8%

You don't need to be in a hurry to find the perfect home. Chances are as you see more houses you will refine your search criteria.

For instance, you may find a home that seems perfect. Then you visit another home with a remodeled kitchen and bigger back yard, and decide that the first home isn't as "perfect" as you thought.

If your first offer is declined, keep looking. When you look back at that first house you bid on, you may be relieved your offer was not accepted, because you now have a much better idea of the features you really want.

It may take a few more weeks, or even months, to buy a home. But remember, this is where you may live for the next decade or longer, so make sure it is the right house.

Contact Us for More Information

If you have further questions about buying a home, real estate, or any of the subjects covered in this guide, feel free to complete a simple contact request form and we'll be in touch.

Secure the Loan

Find the Home, Secure the Loan

Once your offer on the home is accepted, you will enter the home stretch of the home buying process. This can be an exciting phase, yet full of potential apprehension because of the obstacles that can still stand in the way of home ownership.

The purchase contract that you will receive is a legal document that you should read carefully before signing. It may be wise to pay a real estate attorney to review it for you so you can understand and deal with all the conditions of the contract.

This purchase and sale agreement typically contains the closing date, the amount of the mortgage to be financed, the real estate agent's commission, the fixtures (appliances, lighting, etc.) that are included in the transaction, and any inspections the buyer or lender may require.

How Difficult did Gen X/Millennials Find the Mortgage Approval Process?

- Much more difficult than expected: 16%
- Somewhat more difficult than expected: 25.5%
- No more difficult than expected: 43.5%
- Easier than expected: 15%

The agreement may also include special contingencies, which are requirements for certain things to happen, or the contract can be cancelled.

For instance, you'll want to make sure there's a financing contingency in the contract. This allows you to walk away and get your earnest money back if your financing falls through for any reason.

It’s a rare occasion, but it does happen. Even if you get a pre-approval from your lender, additional information or a change in guidelines can jeopardize your loan. That’s why a good financing contingency is important.

Contact one of our loan professionals for more information on loan types.

Get a home Inspection

A home inspection is not just an extra item some home buyers opt for on older homes. Every home, even new homes that have never been lived in, should get an inspection. Likewise, don’t have your brother or father-in-law simply walk through the house, even if they are a professional contractor.

An appraisal is required by your lender, but it does not replace an inspection. An appraiser is looking primarily for value, not deficiencies in the property.

There are minute details about a home that only licensed home inspectors can point out. It could be something as simple as a loose shingle or as complicated as a rotting foundation.
A good home inspector will find at least a few issues with every home. Small items shouldn’t scare you off. But, you want to avoid big, costly items that could make your home ownership endeavors end badly An inspector will write up a detailed report, which will include approximate costs for fixes.

Use the report as a bargaining chip to get the seller to repair the items, drop the price, or give you extra help with your closing costs.

Make sure there’s an inspection contingency in your purchase contract so you can back out of your offer if the home has major issues.

Hopefully, the inspection will have only minor items, and you’ll have the peace of mind to buy your home with confidence.

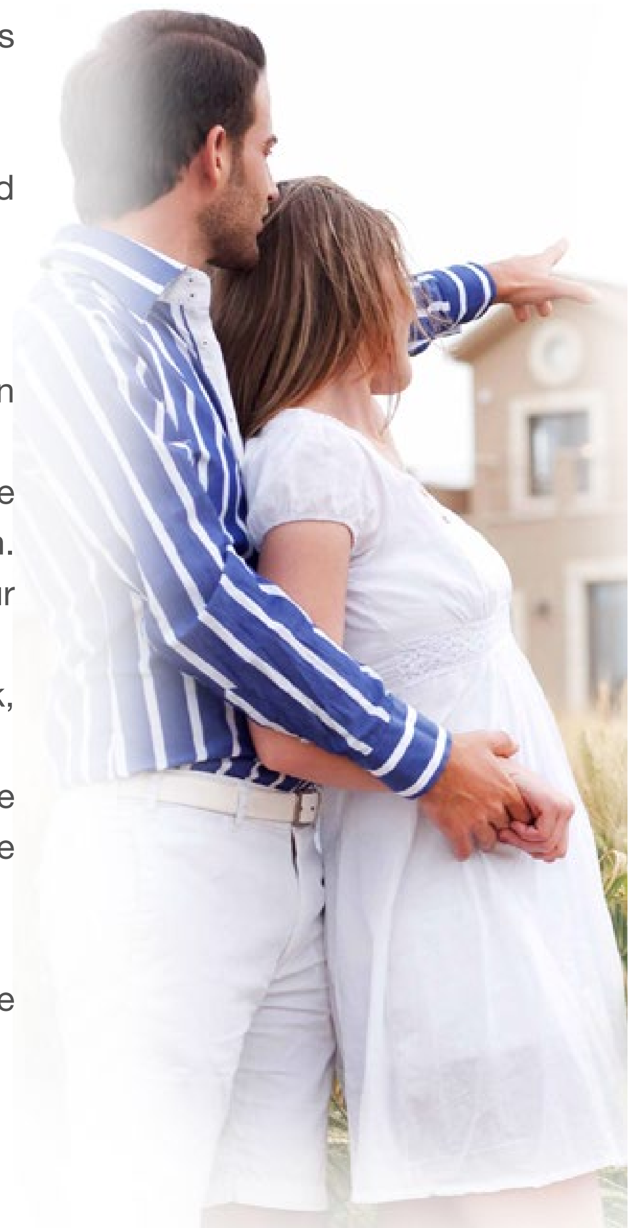
Initial Loan Disclosures

Once your loan officer receives your purchase contract, he or she will issue initial loan disclosures. These documents show you the terms of the mortgage, as accurately as can be estimated at this point.

Sometimes, this paperwork needs to be signed and returned to your lender.

Here are some of the major disclosures to watch for:
Good Faith Estimate – Breaks down required loan fees
Truth In Lending (TIL) – Shows you terms of the mortgage like APR, interest rate, and length of the loan.
Loan Application (1003 or URLA) – Shows all your personal loan information.
Lock-in Agreement – Shows the terms of your lock, if you already locked in.
Loan Type Specific Forms – Show features of the loan type you choose. USDA, FHA, and VA loans have their own forms.

For samples of various loan forms and disclosures, see our Downloadable Mortgage Forms page.



Continuing the Loan Process

It may have been months since you gave your loan officer income and asset documentation for the preapproval, so you may need to provide updated bank statements, pay stubs and perhaps W2s. Sometimes updated tax returns are needed, if April 15th has passed since your pre-approval.

The lender wants to ensure that your financial status has not changed significantly.
Your loan officer will turn over the signed purchase contract and updated financial package to the underwriters, whose job it is to verify your documentation and put the final approval stamp on your loan.

Obtaining Homeowner's Insurance

One step many homebuyers forget is to obtain homeowner's insurance. This insurance must be in place before your loan closes.

Your insurance agent may need a few days to work up your policy. Your homeowner's insurance policy details are needed to issue a final approval on your loan. Many home purchases have been delayed simply because the buyer forgot to set up insurance for their new home.

You select your insurance provider. A good place to start is your automobile insurer, or your renter's insurance provider. Discounts are available when you use the same provider for auto and home. It may be a good time to shop around for insurance. You may find a better value by taking your auto policy and new home policy to a new provider.

The Loan Underwriting Process

Securing a home mortgage is a complex process and you should maintain patience throughout and provide the lender with requested documents. It's important for you to remain proactive during this process and respond immediately to requests from your loan officer, no matter how trivial they seem.
You will need to supply "loan conditions," which are additional items the lender requires after the loan has been approved.
The lender's underwriter reviews all the paperwork and may find additional items or questions that need to be answered.

How much of their home purchase price did Gen X and Millennials finance?

- 100% (entire purchase price financed): 16%
- 95% - 99% of purchase price financed: 30.5%
- 90% - 94% of purchase price financed: 16%
- 80-89% of purchase price financed: 19%
- Less than 80% of purchase price financed: 18.5%

For example, your bank statement may contain an unusual deposit, and the lender may want to know the source. The underwriter may need documentation to make sure it's not a new loan. If there's a child support deduction on your pay stub, you may need to provide a court order to prove the amount you owe each month. A loan condition may be as simple as supplying a missing page of a bank statement.

The underwriter will look at your credit report thoroughly. He or she may see inquiries from an auto lender or another lender and ask if you have applied for a loan. It's a good idea not to take on new credit obligations during the mortgage loan process, or even inquire with lenders. Your lender can tell if you've applied for any other loan.

The exception is shopping for the mortgage, which requires you to get your credit pulled by other lenders. In this case, the underwriter understands that you shopped around for the mortgage, but no new debt was created.

However, additional car loans or credit cards during the loan process can cause delays or even put your final approval in jeopardy. It's tempting to get that home improvement store credit card or furniture store same-as-cash credit deal, but just say no to credit applications during this time.

Click here to see if you qualify to buy a home.

Signing the Loan Papers

After you've supplied all loan conditions, the file goes back to the underwriter for final approval.

This is when the lender sends the final loan documents to the escrow company for you to sign. Expect to see anywhere from 30 to 60 pages for you to review and sign. These legal documents attest that you will pay back your loan according to the terms on the paperwork.

What percentage of buyers finance their purchase instead of paying cash?

- Gen Xers: 96%
- Millennials: 97%

Review the documents carefully. Compare the final loan document with the Good Faith Estimate and the Truth in Lending form you received from the lender at the start of this process.

Make sure the interest rate, fees and loan terms have not changed too much. It's not unusual for some of the closing costs to change slightly over the course of the loan process, but big changes that have not been brought to your attention are not only unethical, but illegal in some cases.
Be sure to talk to your loan officer if something doesn't look right. If you can't get a definitive answer, don't sign the paperwork. Get all your questions answered before signing on the dotted line.

Typically, you will be invited to the escrow company or lender's office to sign the final papers. The escrow company may hire a notary public to come to your house. Whatever the case, ask the representative to explain the purpose of each document and read it before signing.

Final Loan Conditions

Even at this stage, your lender may require a few last-minute items. An item may have been overlooked or something new came up. Often the lender will do a credit refresh, meaning your credit report is pulled on the day of closing. This is to prove that you haven't opened any new accounts since the loan application was originally made. If you have opened a credit account somewhere, you may need to show documentation about any new payments, terms etc.

Also, the lender may call your employer on the day of closing to make sure you are still employed. If you have recently changed jobs, you may have to submit pay stubs or there may be a 30-day waiting period.

Where did Gen X and Millennials get their down payment? (Some buyers have multiple sources of their down payment).

- Savings: 75.5%
- Proceeds from sale of previous primary residence: 15.5%
- Gift from relative or friend: 21%
- 401k/pension fund withdrawal or loan: 10.5%
- Sale of stocks or bonds: 7.5%
- IRA: 4%
- Loan from relative or friend: 5.5%

If the bank statements you submitted to the lender are more than 60 days old, or if a pay stub is over 30 days old, you may need to supply updated documentation.

Last-minute items are never fun, and some of the conditions may seem downright intrusive. However, this is what the lending world is like now. It's best to supply the loan conditions quickly. At the end of the day, everyone at the loan company is on your side, despite the way it seems when they're asking for seemingly unimportant items.

A knowledgeable loan professional can guide you through the process, start to finish.

Click here to apply to buy your home today.

Take the Keys, the House is Yours

After signing the final documents, it may take three-to-five business days until the transaction is recorded at the county's offices.

If everything goes well, you will get a call from your loan officer and/or the escrow company saying your loan is closed, and the sale has been officially recorded in your county's or jurisdiction's public records. This means the home is officially yours.

You can now take the keys and assume the title of "homeowner."
Your new life is about to begin. A place of your own. Whether your home buying experience was a breeze, or a long, arduous process, in the end, it was worth every minute.

Contact Us for More Information

If you have further questions about buying a home, real estate, or any of the subjects covered in this guide, feel free to complete a form that only takes a minute.

Mortgage Dictionary

If you don't speak mortgage-ese, don't worry. You're not alone. Here are some of the terms you might hear during your home loan process, and what they all mean.

- **80/10/10, 80/15/5** – See "Piggyback Loan."
- **100% Loan** – A loan for which no down payment is required. VA and USDA loans are examples of 100% loans.
- **Amortization** – The way in which a loan is slowly but surely paid off one month at a time. With a mortgage, the principal paid each month increases, while the interest paid decreases. In other words, at the beginning of the loan, most of your payment is interest. At the end, the payment is mostly principle.
- **Annual Percentage Rate (APR)** – This is the rate that shows the true cost of borrowing. It factors in the interest rate of your loan, plus all the costs associated with obtaining the loan. If you're shopping for mortgages, comparing APRs from various lenders is a useful way to see whose offer is best.
- **Closing Costs** –All the fees associated with the loan and with purchasing the property. For instance, loan origination, title, escrow, appraisal, recording, and upfront mortgage insurance are all closing costs. Most closing costs have to be paid for out-of-pocket at closing unless the seller has agreed to pay them for you.
- **Conforming Loan** - a mortgage that conforms to the standards set by Fannie Mae and Freddie Mac, sometimes referred to as a conventional loan.
- **Contingency** – This is basically an "out" that is written into your purchase contract.

If conditions of the contingency are not met, you can back out of the transaction and keep your earnest money.
Example: You have an inspection contingency, and the inspection is not to your standards, you can cancel your offer with no penalty.

- **Credit Report** – A summary of all your debts. Your creditors, balances, available credit, any late payments, and a number of other factors are listed on your credit report.

- **Credit Score** – Your credit history and risk assessment expressed by a number. The three major credit bureaus, Experian, Equifax, and Transunion, have proprietary algorithms to determine your number. The lenders uses your middle score for qualification.
Example: Your scores are 680, 690, and 700. The lender will use 690.

- **Debt to Income ratio (DTI)** – The percentage of your expenses compared to your gross income. The front end ratio or front ratio is your proposed housing payment compared to your income. Your back end ratio or back ratio is all your monthly debt payments plus proposed housing payment compared to your income.
Example: Your income before taxes is $5,000 per month, and your future house payment is $1600 per month. You have a student loan payment of $100, a car payment of $200, and a credit card payment of $50. Your DTI is 39%. Your front end ratio is 32% ($1,600 / $5,000) and your back end ratio is 39% ($1,950 / $5,000). Another way of expressing your DTI is 32/39.

- **Discount Point** – This is similar to an origination point, but it is only allowed to be charged if it's used to lower your interest rate.

- **Down Payment** – The amount you pay toward the purchase price of your home.
Example: If you buy a $200,000 home and get a $190,000 loan, your down payment is 5%.

- **Earnest Money** – This is the money you pay up front to show the seller you are serious, or "earnest," about buying the home. The money is held by the escrow company and is applied toward down payment and/or closing costs when the transaction closes. Usually earnest money is between 1% and 3% of the purchase price. You can lose your earnest money, but only by backing out of the purchase contract without the appropriate contingency (see "Contingency").

- **Escrow** – The company that holds and accepts money from all parties involved in the transaction, then distributes it appropriately at closing. You often sign final loan paperwork at the escrow office.

- **First Mortgage** – The primary mortgage on a home. Usually this term is only used when a borrower also has a second mortgage.

- **Float** – What happens before you lock your interest rate. When you float your interest rate, you actively watch interest rate fluctuations and wait for a time to lock. If you float your rate, your future monthly mortgage payment could go up if rates go up. See also "Lock."

- **Gift** – The money you receive from an eligible source (family, non-profit, etc.) You can use gift money on any type of loan, but each loan has its own restrictions.

- **Good Faith Estimate (GFE)** – This is a document you should receive within 3 days of applying for a loan. It details the fees associated with the mortgage. You should take this document with you at loan closing to make sure the fees didn't change dramatically. For a sample GFE, see our downloadable mortgage forms page.

- **Hazard Insurance** – See "Homeowner's Insurance."

- **Homeowner's Association (HOA)** – The organization that creates and maintains bylaws and rules regarding a certain housing development, such as a PUD (planned unit development) or condominium project. Homeowners within the project must pay dues to the HOA, usually monthly or yearly.

- **Homeowner's Insurance** – The insurance policy that insures the home being purchased in the case of fire or other hazards.

- **HOA/HOA Dues** – See "Homeowner's Association."

- **HUD/HUD1** – You receive this document when you sign final loan paperwork at escrow. It breaks down all the fees associated with the loan and tells you the final dollar amount you need to pay to close the loan.

- **Index** – Rate averages that determine the interest rate of an ARM after the initial fixed period. See also "ARM" and "Margin."

- **Loan to Value (LTV)** – The percentage of your loan amount compared to the home's value and/or purchase price.
  Example: If you put 5% down on a $200,000 home, your loan amount is $190,000 and your LTV is 95%.

- **Lock**– The act of securing an interest rate on a loan. After a lock, future rate fluctuations in the market won't affect the interest rate on your loan. See also "Float."

- **Margin** – The amount of extra interest the lender charges when an ARM starts adjusting. The margin and the index are added to determine the rate you pay when the ARM's fixed period ends.

- **Mortgage** – A loan on a property for which the payments will retire the debt at the end of the loan term.

- **Mortgage Banker/Mortgage Lender**– Unlike a mortgage broker, this company actually lends the money for a mortgage loan, as well as takes the borrower's application and processes the loan. See "Mortgage Broker."

- **Mortgage Broker** – A company or individual that takes a loan application then selects a bank to fund the loan. The broker sends the loan to a bank, and the bank lends the money. The bank pays the mortgage broker for sending the loan.

- **Origination Point** – The fee you pay the lender for doing the loan. A point is equal to 1% of the loan amount and is paid at closing with your other closing costs, or paid by the seller if it's negotiated into the purchase contract.

- **P&I** – The principle and interest payment on a home loan, not including taxes, insurance, or HOA dues.

- **Piggyback Loan**– When a borrower opens a first and second mortgage simultaneously when buying a home, usually to avoid private mortgage insurance. Example: You buy a home for $200,000. You open a first mortgage for $160,000 and a second mortgage for $20,000, and put $20,000 down. Since your first mortgage is at 80% loan-to-value, you don't need mortgage insurance.

- **PITI** – Stands for Principle, Interest, Taxes, Insurance, and includes all these costs plus any HOA dues. PITI represents the buyer's full housing payment.

- **Prepayment Penalty** – The penalty the borrower must pay if the loan is paid off within a short period of time. FHA, VA, USDA and conventional mortgages typically do not have a prepayment penalty.

- **Private Mortgage Insurance (PMI)** – The insurance policy that covers your mortgage lender in case you default on the loan. You pay for this policy monthly whenever you put less than 20% down on a conventional mortgage.

- **Processing** – The responsibility of the loan processor who works under a loan officer. The loan processor puts the file together so that it is a complete file prior to the underwriting process. See "Underwriting."

- **Second Mortgage** – A lien that is 2nd in priority compared to a first mortgage on a home. Second mortgages usually have higher interest rates, since they are higher-risk loans. Second mortgages are often opened when someone buys a home and helps the borrower avoid private mortgage insurance. See "Piggyback Loan."

- **Term** – The length of the loan, expressed in years or months.

- **Title& Title Insurance**–The title is the document that shows ownership history, the outstanding debts that are tied to the property, and current ownership. Title insurance protects you and the lender against any previous owner who claims rights to the property.

- **Truth in Lending** (TIL) – You should receive this document within 3 days of applying for the loan. It tells you the loan's APR, whether it has a prepayment penalty, the loan terms, as well as other vital information. For a sample TIL, see our downloadable mortgage forms page.

- **Underwriting** – The process of verifying that the borrower's documentation and adheres to a specific loan program's guidelines.

Request a free mortgage rate quote.

If you would like to see how much you can afford or want a free, no obilgation rate quote, complete a simple contact request form.

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MyMortgageInsider.com is a financial information resource for consumers who want to learn about the home buying process before applying for a mortgage loan. Our goal is to provide the knowledge and resources to help you achieve your financial goals through home ownership.

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