

Guide to Buying

HARMON HOME
TEAM



Process at a Glance

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Pre-approval

Section 1



PRE-APPROVAL OVERVIEW

This is the first step in the home buying process and accompanies any offer you make on a home.

1 FINANCING

A mortgage lender will take your financial information and determine what amount you will be approved to borrow. Having your pre-approval letter in hand before you start a home search will save you time and ensure you don't miss out on the perfect home opportunity.

3-5%

THE AVERAGE DOWN
PAYMENT AMOUNT FOR
MOST LOANS

20%

AMOUNT REQUIRED TO
ELIMINATE MORTGAGE
INSURANCE (PMI)

2 CASH

If you have the money to make a full cash offer, that's great. In this case, you will need to provide a proof of funds from your financial advisor or bank to show you have a balance that meets the purchase price of your offer.

TYPE OF LOANS

*further explanation of each loan type
covered on page 15*

- 01 Conventional
- 02 FHA – Federal Housing
Administration
- 03 VA – Veterans Affairs
- 04 USDA - RD
Rural Development
- 05 THDA – Tennessee
Housing Development
Agency (*intended for
first-time homebuyers*)

Recommendations

MORTGAGE LENDERS

PINNACLE FINANCIAL PARTNERS

Heather Anderson, Mortgage Advisor

heather.anderson@pnfp.com

615.690.1404 | pnfp.com

FARMINGTON MORTGAGE, CAPSTAR BANK

Christian Poling, Sr. Mortgage Loan Officer

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F&M MORTGAGE

Patrick Jones, Mortgage Advisor

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615.668.6838 | patrickjoneshomeloans.com

FIRST BANK MORTGAGE

Julia Wilson, Mortgage Advisor

julia.wilson@firstbankonline.com

615.540.7244 | fbmortgageloans.com

PRE-APPROVAL: WHAT TO EXPECT

Once you've provided your lender with the information they need, a pre-approval letter can take as little as 24 hours to receive.

WHAT YOU'LL NEED TO PROVIDE TO YOUR LENDER:

DRIVER'S LICENSE

SOCIAL SECURITY NUMBER

TAX RETURNS FROM PRIOR YEAR

W2 FROM PRIOR YEAR

PAST TWO PAY STUBS FOR PROOF OF EMPLOYMENT

PAST TWO BANK STATEMENTS

KEY FACTORS THAT INFLUENCE YOUR LOAN QUALIFICATION

CREDIT REPORT Scores range from 500-850 with the majority of scores falling between 600-700.

YOUR INCOME Most lenders require that your monthly payment range between 25-28% of your gross monthly income.

YOUR EXISTING ASSETS

Make sure your lender knows all your available assets (401K, stocks, etc).

PROPERTY VALUE Your loan pre-approval will give you a payment range and determine a property value so you know what you can afford.

YOUR EXISTING DEBTS

Your total monthly PITI (principle, interest, taxes and insurance) and all debts should range between 33-38% of your gross monthly income.

Home Search

Section 2



HOME SEARCH: SETTING PRIORITIES

Almost every purchase involves some degree of compromise, which is why it's important to prioritize your wants and needs before you begin your search.

Location

Each individual neighborhood offers its own unique flavor and sense of community. Consider the factors that are important to you like available school systems, your work commute, and convenience to dining options and retail.

Size & Type

Each listing your agent shows you will have its own unique shape, size, and style, so it's important to know what you want in your home, what you can live with, and how much space you actually need.

Condition

It's vital to discover which homes for sale are in prime condition and which will require some investment to fix. Consider whether you're looking for move-in ready or are open to some updates that could give you instant equity.

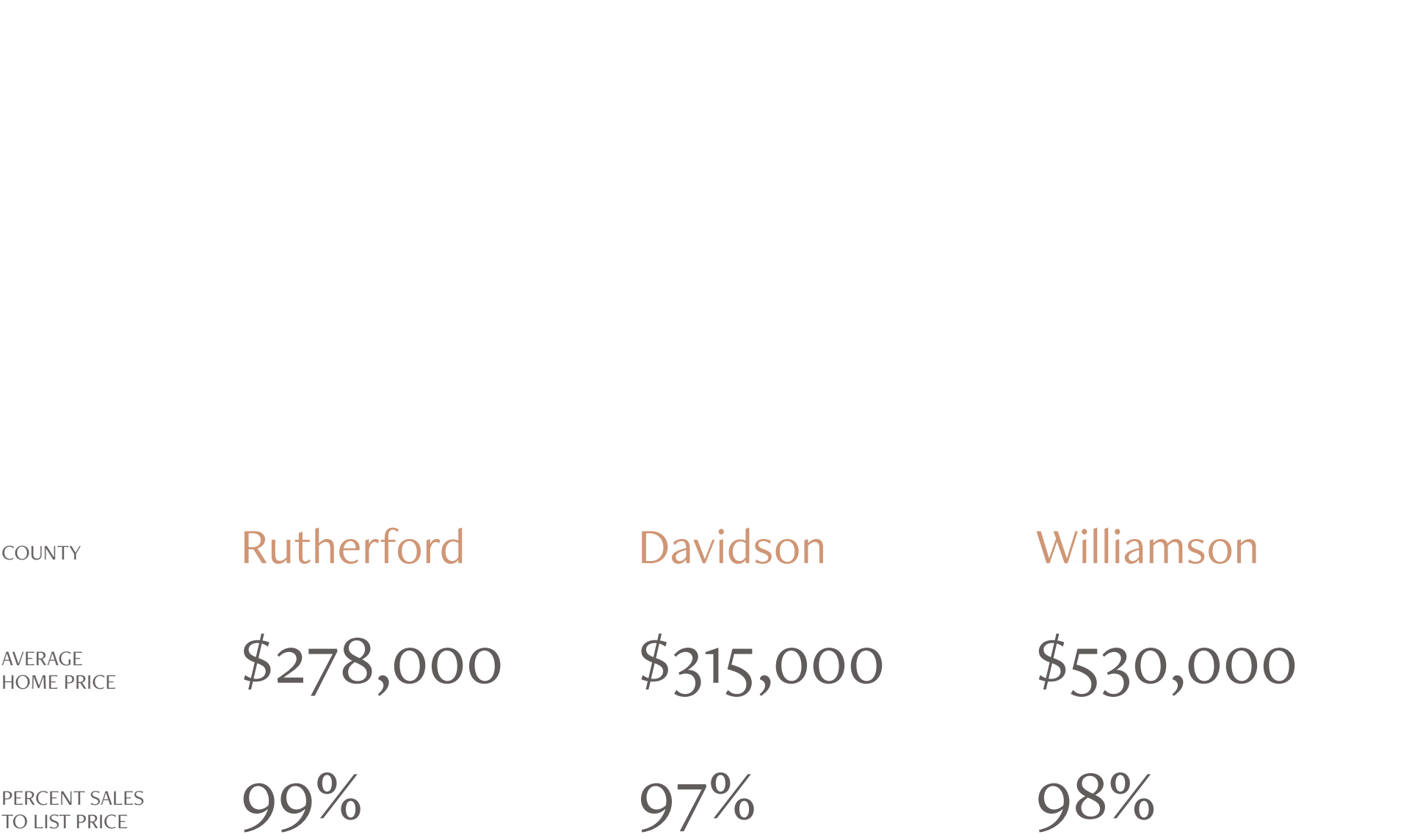
Features

Garage parking, hardwood floors, a large yard and convenience to parks — these are the kinds of details that drive the decision to purchase one home versus another. In creating this list, some things to consider are resale value, your daily routine, and the cost of making future changes or additions.

Price

Narrow down your search by price point so you only view homes you can absolutely afford. We have tools available to help filter your initial search by affordability. Your lender's pre-approval will also advise the price range that best suits your buying power.

KNOWING YOUR MARKET



PREVIEWING PROPERTIES

Now that we've determined your goals and priorities, the fun of looking for your ideal home begins.

1 AUTO NOTIFICATIONS

Based on the home criteria we've identified, we'll set up an automatic search through the Multiple Listing Service (MLS). You'll be notified via email of every home that meets this criteria when it's listed for sale.

3 SHOWINGS

Whenever you'd like to view a home, simply let us know when you're available. We'll handle the scheduling and accompany you, armed with as much information as we have available on each property.

2 OPEN HOUSES

These can happen both virtually and in person and will be noted on the listings when they are available. If you have questions on how a virtual showing or open house works, just ask and we'll go over the current procedures we have in place.

4 COMPARABLES

When you are ready to make an offer, we will perform a Comparative Market Analysis (CMA). This report compares the subject property with other relevant properties (currently listed and recently sold) to help inform the best market value for your offer.

VIRTUAL SHOWINGS: WHAT TO EXPECT

- 01 Virtual showings have quickly become common and are a way to view a property without being physically present.
- 02 Virtual showing options include:
 - Real-Time Video Showing – *conducted using streaming technology*
 - Recorded Video Showing – *prerecorded and shared using a video hosting platform*
 - Virtual Tour Showing – *360-degree view of a property online using a virtual tour platform*
- 03 We can schedule these just the same as we would an in-person showing.
- 04 Open houses can be conducted virtually as well.

Offers + Negotiations

Section 3



PREPARING YOUR OFFER

When you've found the right home, we will discuss your offer strategy and various negotiation points.

1 OFFER SUBMISSION

In order to write an offer we'll review the following:

- 01 Pre-Approval Letter or Proof of Funds
- 02 Offer Price *Based on the CMA we've performed on the property.*
- 03 Escrow Deposit (Earnest Money) *Usually 1% of the purchase price.*
- 04 Financing Amount *What percentage of the loan you are financing and how much you are putting down, as outlined from discussions with your lender.*
- 05 Closing Date *Typically 30-45 days from acceptance of offer. This will be the day you receive your keys!*
- 06 Inspection Period *Typically the buyer has 15 days to perform inspections, renegotiate if repairs are needed or even terminate.*

THE PROCESS: WHAT TO EXPECT

- 01 Submit an offer.
- 02 Seller accepts, counters or rejects offer.
- 03 Counters can take multiple rounds and contingencies.
- 04 Once you agree to terms with the seller, you are under a binding agreement.
- 05 Once bound, you then submit your earnest money.

2 NEGOTIATIONS

Your offer strategy could include some of the terms and considerations below:

- 01 Contingencies *state that you will only complete the purchase if certain events occur:*
 - Financing – contingent on the home appraising for the contract price and loan approval.*
 - Inspection – contingent upon a professional property inspection. You may then submit a list of repairs to the seller. The seller can make those repairs, negotiate lower sales price or refuse and cancel the contract.*
 - Home Sales – contingent upon the sale of your current home.*
- 02 Buying Power *is a strong bargaining position if:*
 - You're an all cash buyer or pre-qualified.*
 - You don't have a current home to sell before you can afford to buy.*
 - You're able to offer a significant earnest money deposit.*
- 03 Earnest Money *known as "good faith deposit," is typically 1% of the sales price. The title company should have your earnest deposit within 3 days of a binding contract and will hold this until closing.*

Inspections

Section 4



INSPECTIONS: WHAT TO EXPECT

A home inspection ensures the property meets required standards and determines underlying issues.

1 HOME INSPECTION PROCESS

- 01 Scheduling *right away is always a good idea so you have time to address any issues.*
- 02 Inspection *you may be present to ask any questions and learn of any issues firsthand. There will also be a full written report of the findings.*
- 03 The Inspection Report *this report summarizes the recommendations. Keep in mind, we are only looking for items that need attention. For example, cosmetic conditions are ommitted in a repair proposal.*
- 04 Repair Proposal *we will discuss and submit a priority list of repairs to the sellers. They may either accept the proposal and agree to make the repairs, counter or reject and terminate the contract.*
- 05 Repair Amendment *once all parties have come to favorable terms regarding repairs, we will add a repair amendment to our agreement.*

2 ADDITIONAL INSPECTIONS

- 01 Wood Destroying Organism (WDO), *Termite Inspection*
- 02 Radon *can be higher than standard norms in Tennessee*
- 03 Land Survey *to determine property lines*

15 days

THE AVERAGE
INSPECTION PERIOD
FROM BINDING DATE

Recommendations

INSPECTORS

DILIGENT HOME INSPECTION
Diligent.com
Online Booking & Invoicing Available
615.200.8220

HOME TEAM INSPECTION SERVICE
hometeam-rutherfordcounty.com
Online Booking & Invoicing Available
615.223-1675

Financing

Section 5



FINANCING: WHAT TO EXPECT

1 MORTGAGE

The contract states you have five days from the date of binding to begin the mortgage application process. During the 30-45 days before closing, your lender will walk you through the steps required to finalize your mortgage.

THE PROCESS: WHAT TO AVOID

- 01 Major job changes, quitting your job or becoming self-employed
- 02 Major purchases like buying a new car or furniture for your new home
- 03 Opening new credit cards or lines of credit; any new inquiries into your credit
- 04 Changing bank accounts
- 05 Omitting debts or liabilities from your loan application
- 06 Making non-payroll deposits – check with your lender first

TYPES OF LOANS:

- 01 Conventional – Offered through a private lender or Fannie Mae and Freddie Mac. Credit scores of 680+ typically required. Down payments less than 20% of purchase price are accepted with private mortgage insurance (PMI). Debt-to-income (DTI) ratio between 36-43%.
- 02 FHA – Downpayment can be as low as 3.5%. Buyers required to pay PMI.
- 03 VA – For veterans of the U.S. Armed Forces and eligible spouses. No down payment required, but does have a VA funding fee and some closing costs.
- 04 USDA-RD – Specifically for low to moderate income buyers in rural areas. No down payment required, but does have a funding fee.
- 05 THDA – Typically for first-time homebuyers. Specifically for low to moderate income buyers with lower credit scores and down payment as low as 3.5%.

2 APPRAISAL

This is the estimate of the value of the property by a licensed professional appraiser. The appraisal will be ordered by your lender and the fees will be paid by you as the buyer.

The goal of the appraisal is to verify the value of the property for the lender and to protect you from overpaying. With a financing contingency, the appraisal must come in at or above the purchase price. If the appraisal comes back short, we will handle the difference by renegotiating terms with the seller.

**\$350-
\$500** AVERAGE
APPRAISAL
FEES

3 HOME INSURANCE

Your lender will also require a homeowner's insurance policy prior to closing. Your insurance agent can advise you on the proper coverage and provide the necessary details to your lender.

Closing

Section 6



PREPARING TO CLOSE

We're now on the cusp of closing on your new home. Here are some remaining details to make it official.

1 TITLE

Your chosen title company is where your closing will take place. Here's an overview of their role in your closing process.

- 01 Prepare the Closing Disclosure which outlines all the financial details of your home purchase. You should receive this 3 days prior to closing to review.
- 02 Provides your wiring instructions for your finalized closing costs.
- 03 Orders title insurance and runs your title search, ensuring a free & clear title. Title insurance is required by lenders and protects your home from any title defects. This is typically paid by the seller.
- 04 Walks you through the signing of all your closing documents.

2 CLOSING CHECKLIST

Some of the remaining items needing to be addressed before closing day include:

- 01 Obtain all property disclosures, HOA bylaws, etc.
- 02 Provide any requested docs to lender *including your homeowner's insurance policy*
- 03 Turn on utilities *usually day of closing*
- 04 Review and sign Closing Disclosure *usually three days prior to closing*
- 05 Wire transfer for funds to close
- 06 Schedule and perform final walk-through of property
- 07 Closing day *sign docs with title company and receive keys to your new home! Remember to bring your ID to closing*

3 CLOSING COSTS

Your closing costs are negotiable as to who pays in part or full. This is something that is addressed within your Purchase and Sale contract when making your initial offer. Your lender will notify you of the exact amount needed for closing.

These fees are separate from your title expenses in that they cover everything associated with the loan and vary based on your loan type, loan amount and geographical location. Your title expenses, as noted previously, cover the title search and title insurance for your property.

2-5%

AVERAGE CLOSING COSTS –
BASED ON SALES PRICE

CLOSING OVERVIEW

STEP 1

Closing Day
at Title Co.

TYPICAL TIME FRAME
FROM CONTRACT TO CLOSING

30-45 days

AVERAGE APPRAISAL FEES

\$350-500

STEP 2

Deed & Title
Transferred to
Buyer

AVERAGE CLOSING COSTS

3-5% of
mortgage loan

AVERAGE INSPECTION FEES

\$250-600

STEP 3

Funds
Transferred
to Seller

HOMEOWNER'S INSURANCE

1% of
home cost

TERMITE INSPECTION FEES

\$35-75

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