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**Lunch & Learn**

***Script for Homebuyer Awareness – Top 20 Questions First-Time Home-Buyers Wish They Would Have Asked!***

**Approximate Length: 45-60 Minutes with Questions**

**Reference:** Use our ***NEW*** Checklist about **“How to Throw a Great Homebuyer Seminar”**. This is for your reference only.

***Handout*** – A copy of this presentation along with your contact information is a great take-away for your attendees. To assist the attendee in reviewing their own credit report, hand out the ***“Credit Report Review Checklist”*** found under Charts & Checklists and Universal Topics.

**Bonus Tip:** Each slide and accompanying script make an engaging quick-tip video on your social media platform. This is a great way to educate your network and get them interested in attending your seminar!

***Audience:*** The target audience for this Lunch & Learn are those interested in what it takes to buy a home. This seminar can be hosted in person with referral sources or corporations, or as part of a Facebook Live presentation. Try multiple ways to get this out to the first-time buyer audience.

***Script Tip:*** Scripts are meant to be used as a guide for talking points and not read to your audience. Make sure that you understand the talking points and put this script into your own words. Be sure to add your Information, logos, NMLS # and Other Company Required Disclaimers to your presentation.

***Embellish and make this presentation your own.*** Your audience will love hearing your “real-life” stories and how you solved those problems using the information you are presenting. Those stories in addition to the presentation will help position you as the “go to” mortgage person in your community. If you are asked questions about home financing that are not in this presentation, add a slide.

**Slide 1:**

Hello everyone, my name is *[your name]* with *[your company]* and I thank you for attending today’s session on Top 20 Questions First-Time Home Buyers Wished They Would Have Asked. I’ve had the distinct pleasure of helping hundreds [fill in the #’s you have helped] of first-time buyers make their dream of buying a home come true. I hope that you had the chance to attend our seminar on Top 20 Questions You Need Answers to Before Buying a Home, as that provided the considerations you need to think about before you start shopping for a home. Today I’m going to step you through the home financing process. We use a lot of terms in this industry that are confusing to even the most experienced buyer, so our goal today is to clear up that confusion.

**Slide 2:**

One of the most common questions I get is, What is a Mortgage? We know that anytime we get a loan, we sign a note which is our promise to pay back the lender. Yet when you buy a home, you also sign a Mortgage. The mortgage is the document that pledges the home as security for the loan.

**Slide 3:**

The next question we hear from clients is, What Financing Options Are Available? That’s a big question because it depends on your personal financial circumstances and also the property that you purchase.

For instance, there are a lot of great first-time buyer programs. Some have lower down payments, some allow sellers to contribute to your closing costs, and some even have income restrictions.

A VA loan is strictly for use by a Veteran. If you have Veteran status, this is likely your best option, but again it depends on your personal circumstances and the property you are purchasing.

Other traditional options are FHA and USDA, which are for properties in declared rural areas, or conventional loans like Fannie Mae and Freddie Mac or even new construction loans.

When you work with me, we review all your options and you choose what works best for you. Determining which one fits you the best is the reason why you must talk with your lender before shopping for a loan. If you attended our last seminar, you learned that your contract to purchase a home will require you to detail your loan choice. If you don’t talk to the lender first, that may compromise your contract.

**Slide 4:**

The next question is, What Steps Do I Need to Take to Secure a Loan?

In today’s competitive real estate market this is an important question! No one wants to be disappointed by searching for the home they think they can buy only to find out later they can’t buy it due to financing. Securing your financing first gives you the security you need to confidently shop for a home, and helps your real estate agent negotiate a contract on your behalf.

There are several ways to take care of your mortgage quickly. [Note to Presenter: Mention the ways you accept loan applications such as online, in person, over the phone, etc.]

Once we fill out the required paperwork, we’re going to ask you for information to verify your income, assets and debts. This will likely include copies of paystubs, W2 forms, perhaps tax returns, bank statements and other things, depending on your personal circumstances. I don’t ask for any of this to aggravate you. It is just a requirement of the regulatory guidelines that we must follow to properly document your application. I promise that I will only ask for what we really need!

**Slide 5:**

When you start the house-hunting process, you may hear the terms “Pre-Qualification” or “Pre-Approval – and there is a big difference between the two. A pre-qualification is an informal discussion about your income, assets and credit. It does not obligate you to anything, doesn’t require paperwork, but does give you a ballpark figure for what you would qualify for.

A better option is a Pre-Approval, which is a commitment from the lender. A pre-approval is a process where we collect the information for your application and the documentation to verify that information, such as the paystubs, W2’s and bank statements I mentioned earlier. We also send this information through underwriting, which is the final authorization we need to approve your credit file.

A Pre-Approval can give you an advantage when you negotiate with the seller by providing them with the security that you have financing ready, or making your offer stand out in a market where the seller received multiple offers on a property.

The bottom line is this. Being prepared and knowing your financing is secure makes your life a lot less stressful when buying a home!

**Slide 6:**

There is a lot of talk about credit scores and how lenders use them. Some of it is true and some of it is false, so let’s clear the air on this subject.

Credit scores are simply a numerical representation based on your credit history! It is based off of obscure algorithms that are closely guarded so we really don’t know how the number is calculated, but we do know that lenders use these scores to determine the risk of your loan.

Since interest rate is a reflection of risk, those with higher credit scores tend to get lower rates than those with lower credit scores. The problem is that sometimes these scores are wrong due to incorrect data. You may not know this, but incorrect credit reports are a big issue. So as your lender I help you check out your credit and offer solutions about how to fix an issue or even improve your credit score.

Once again, sorting out the credit score issue before you shop for a home makes life much easier!

**Slide 7:**

One of the first things I recommend that you do is to run your Free annual credit report. Running this report will not affect your credit, as the credit bureaus listed here are required to allow you access to your report once per year.

Once you do this, review your credit for errors. I’m going to hand out a Credit Report Review Checklist for you to use when you request your free credit report. [Note to Presenter: Hand out the Credit Report Review Checklist for Consumers.] It has a checklist of all of the items you should review and how to dispute an error if you find one. Also, don’t hesitate to reach out to me if you have a question.

**Slide 8:**

With so many options for financing, it can be a tough decision to figure out the best loan program for you. Consider me the Sherpa that asks the right questions to guide you to the best program options for you.

For instance, some of the questions I’ll ask you are:

How do you expect your finances to change over the new few years? I’ve had recent graduates who purchased their first home, yet they are in a field where they expect large pay increases once they get through their residency or apprenticeship phase of their career.

This may affect how long they plan to stay in their home, which is the second question. Are you planning to live in this home for a long period of time? Even though some do not want to live in a property forever, they may decide that it will make a good investment property to hold on to.

How do you feel about a changing mortgage payment amount? One of the reasons you may have decided to purchase instead of rent is that you didn’t want your housing payment to go up each year. Others are not concerned about that if they start out with a lower payment their first few years and then the payment goes up.

Becoming mortgage debt free is a wonderful thing. So, some clients choose to explore options that will allow them to pay off their mortgage faster.

I ask these questions to help meet your financial goals.

**Slide 9:**

Once we talk about your goals and financial situation, I help you dig into the details of the different types of loan programs available to you. As you can see, there are a lot to choose from and each type of program has pros and cons as to why you would want to choose that type of financing.

We even offer renovation options if you find a great home that needs just some cosmetic upgrades or a home that needs major upgrades. Some clients love the thought of a fixer upper and others just want to move into a home that is already to their liking.

**Slide 10:**

Once you decide on a property and execute a contract, you’ll need to consider whether or not you should “lock in” your rate to guarantee that you receive that interest rate at closing. The interest rate market fluctuates daily. Some days rates are higher and some days they are lower. You can choose to lock in your rate until you close, or float your rate until right before closing.

Unfortunately, I can’t predict the markets so the decision to lock or float is up to you. I will never advise you to lock or float. If you lock in a rate, you have some security in knowing that this is the rate you are going to get no matter what happens in the markets. However, if you float, you are subject to market conditions and that could mean a higher or lower rate than when you first applied.

**Slide 11:**

Since we are on the topic of rates, let’s discuss “Discount Points”.

Discount points allow you to buy an interest rate below market. When interest rates are published, they have a corresponding price attached to them. If you need or desire money to be applied to your closing costs, you can choose a higher rate and that “premium price” is credited to your closing costs.

However, if you want to go the other way and get a lower rate than what the market offers, you can pay to permanently or temporarily buydown that rate with Discount Points. We call this buying down the rate.

Discount points can be paid by a buyer or a seller. If you are able to negotiate a seller credit into your purchase contract, that credit may be applied to buying down your rate or money towards your closing costs.

Your other option is to go with the market rate that has no credit and does not require any points.

I explain all of these options to my clients before they make a decision.

**Slide 12:**

Now let’s discuss what is included in your monthly mortgage payment. Most loan programs will require the lender to collect a portion of your real estate taxes and homeowner’s insurance each month so that the lender is able to pay those bills when they become due.

Here is how it generally works.

Your mortgage payment is composed of your principal payment, which is money applied to your note amount. The monthly interest you are paying for that loan.

Property Taxes: 1/12th of your Real Estate Tax bill is collected each month. This way when the tax bill is due, the lender has enough money to pay it. Here is an important “need to know”. Property taxes can change! This means that if they go up, the lender will need to collect more for your monthly house payment. This means your monthly payment could go up even if you have a fixed payment loan. The lender cannot control what happens to your property taxes, so I always like to warn clients about this.

The same thing can happen to homeowner’s insurance. If your homeowner’s insurance premium goes up, the lender will need to collect a little more.

On the other hand, your mortgage insurance should not change. Mortgage insurance is a fixed monthly insurance premium that protects the lender in the event of non-payment by the client. The good news is that when you have paid down your mortgage to a certain level, this insurance premium will drop off and your monthly house payment will go down!

**Slide 13:**

Some of you are blessed with great parents or other relatives that can help you buy your first home. Yes, you can use gift money for all or part of your down payment and closing costs!

The lender will simply verify the donor’s gift, have them sign a gift letter and verify the transfer of the gift at or prior to closing.

**Slide 14:**

An expression you will hear in lending and on your real estate contract is “Loan to Value”.

A loan to value is the amount of money you borrow compared to the purchase price. This is expressed as a percentage.

Here’s the formula for the math people. [Note to presenter: Show them the formula in the middle of the slide]

But for the non-math people here is an example. If I buy a property for $299,000 and I put down 5%, then my loan amount is $295,500. This means my loan ($295,500) vs. my value ($299,000) is 95% of the value of the property.

Loan to value is important because it determines rate, whether you need mortgage insurance, or other types of program restrictions.

**Slide 15:**

When I discussed your monthly payment a few minutes ago, I talked about Mortgage Insurance. Mortgage insurance protects the lender, not the borrower. It is usually required if you put down less than 20%, but not all loan programs have that same requirement.

There are also options for how to pay for your mortgage insurance. It does not have to be paid monthly for all loan programs, but some do require a monthly premium. I review these options with you when you are reviewing your loan options.

**Slide 16:**

When you buy real estate, it’s not like buying a car. Real estate comes with closing costs. These are expenses above the purchase price of your property. Closing costs may include fees for the lender, attorney, title search, title insurance, taxes and other costs. We detail your closing costs in a disclosure that is sent to you right after application so there are no surprises.

Here are some important notes about closing costs:

All mortgage loans have closing costs. Ads that you may see online that say “no closing costs” are deceptive and will likely surprise you in the end.

Lenders are required under Federal law to give you a detailed estimate of these fees.

Your closing costs can be paid by the buyer, seller, lender credit or gifted. There are many ways to cover closing costs.

**Slide 17:**

Remember when we talked about your monthly house payment and I said that the lender collects money each month to pay for your taxes and homeowner’s insurance?

Well they take that money and put it aside in an escrow account. Each month that you make a payment, the money for your taxes and insurance is set aside so that when those bills become due the lender can pay them out of your escrow account.

Lenders collect 1/12th of the annual insurance and taxes in your mortgage payment each month.

When the bill is due, the lender transfer money from your escrow account to the tax entity or the homeowner’s insurance company. Here is an important “Need to Know”! You will get a copy of your tax bill and homeowner’s insurance. If your monthly payment includes taxes and insurance, you do NOT need to pay that bill. That bill is the lender’s responsibility and you are only receiving notice as the homeowner.

Escrow accounts help homeowners by budgeting payments each month so that they do not receive a large bill that they may not be able to pay.

Lenders require escrow accounts because unpaid taxes have a higher lien priority over the mortgage. This means that if you don’t pay your taxes the lender could lose their first lien position – and they don’t like that.

If lenders do not collect your homeowner’s insurance and pay that as well, and something catastrophic happens to your home, the insurance company would not pay to fix it if the policy is lapsed.

Most loan programs require an escrow account. However, some programs do allow you to waive your escrows, but if you do you must understand that you have full responsibility for payment of those bills each year.

**Slide 18:**

Once you apply for a home loan, there is a lot of action going on behind the scenes. I keep my homebuyers updated by…. [Note to Presenter: Discuss your follow-up here].

Our staff is busy verifying the information on the loan application, ordering an appraisal to determine the value of your property, ordering title work to make sure you get clear title when you close, and compiling all of this into one file.

Once we have all of the information needed, we send that loan to our underwriters for final approval. If they need anything else, we will immediately contact you and if they don’t need anything else, they clear your loan for closing.

Once you are clear to close, we schedule your closing and you become a new homeowner.

**Slide 19:**

Just like the lender has responsibilities during your loan process, you do as well.

The best advice I can give you is to keep things the same as when you applied! If something happens or you’re not sure, ask me, and I can tell you how it may affect your loan.

Here are some tips:

Don’t changes jobs, quit your job or become self-employed.

Do not acquire more debt like furniture, boats, cars, etc. EVEN IF they are 0% financing for a period of time.

Do not run up your credit cards or let your accounts fall behind.

Don’t spend the money you have set aside for closing. We have to verify that money in your accounts.

Don’t apply for new credit, change bank accounts or make large deposits that can’t be explained. Again, if you are not sure, ask me.

Do not agree to co-sign or co-borrow with anyone on their loans during the loan process.

Follow these tips and you should have a stress-free loan process.

**Slide 20:**

Alright, the time has come! It is time to do your final walk-through of the home you are purchasing. The final walk-through happens right before closing and gives you a chance to re-inspect the house before you close, since time has lapsed between your contract and the seller’s moving out. This is not the time to look for new problems, as much as it is a time to see if conditions changed after your first inspection.

During your walk-through examine every corner of the empty house.

Check floor to ceiling for damages or changes.

Ensure that any problems the seller agreed to fix as part of the contract are complete.

Make sure that everything is just as your expected before you close, because after closing it’s all yours to love and enjoy!

**Slide 21:**

Hooray! Closing day is here and you’re about to make your dream of homeownership a reality. We will contact you prior to closing to review what you need to bring, but here are the items we generally review with you:

Bring your PAID homeowner’s insurance.

Bring a Cashier’s check for money required for down payment and closing costs. Don’t worry as we will let you know the amount prior to closing.

Show up to closing on time. The closing company’s office can be like a busy doctor’s office on closing day, so you don’t want to lose your time slot!

Be prepared to sign a lot of papers! Federal regulations make us generate a lot of paperwork. Someone will be there to explain what you are signing and why.

Enjoy the moment, grab your keys and enjoy your new home!

**Slide 22:**

I hope that you enjoyed our time together today, and that we answered some questions that you had or gave you some things to think about. I can’t wait to work with you or your friends to help you finance your dream home. If you want to discuss anything privately let’s do that now or set up a time to do so. I will be reaching out to you periodically to check in, so that when you are ready for your pre-approval I’m the person to contact. Thanks again for your time today!

*[Note to presenter: After you answer questions have available the sign-up sheet for your next seminar.]*