



THE PHOENIX-AREA HOMEBUYER'S GUIDE





Whether you're relocating to Phoenix because the city gets 300+ days of sunshine each year or you're simply moving across town for a new job or a few extra bedrooms, the Valley of the Sun is a desirable place to live. The Phoenix metropolitan area and its surrounding suburbs are rich with unbeatable Mexican food, an active arts scene, spring training culture and postcard-worthy sunsets.

Buying a home can be confusing, whether you're a first-timer or you've owned a home before. There are a ton of mortgage terms to learn and enough paperwork involved to give you a hand cramp — both of which can make the process seem a bit overwhelming. The good news is that you're not alone. We're here to help and guide you every step of the way. To give you a head start in the process, here are the basics on what you need to know about looking for and buying a home in the Valley:

CHOOSE YOUR HOME



The Valley of the Sun is a mix of old Southwest meets modern metropolitan, with neighborhoods reflecting everything in-between. From Craftsman bungalows and Tudor cottages to adobe and stucco ranches, each housing style has its own personality and history.

Such well-known architects as Al Beadle and Ralph Haver put their stamp on numerous midcentury neighborhoods. Territorial-style homes incorporate the Spanish tile and stucco that the Southwest is known for, while Mediterranean Revival developments offer shared pools and parks.



WHAT FEATURES DO YOU HAVE YOUR HEART SET ON?



Curb appeal and housing style



Specific location or neighborhood



Accessibility to public transportation



Square-footage / Number of bedrooms & bathrooms



Amenities

WHAT CAN YOU AFFORD?

According to the Bureau of Labor Statistics,¹ homeowners spend an average of 32 percent of their income on housing; other sources report upward of 36 percent. While the “sweet spot” according to industry experts is around 25 percent of your income, that number isn’t realistic for every buyer. You know your budget best, so the key is to figure out how much of your budget you

could comfortably devote to home expenses before consulting a mortgage loan officer. Use an [online mortgage calculator](#) to play with your options. Most lenders will look at four factors when preapproving you for a loan: your income, monthly expenses, down payment amount and your credit history.

TO QUALIFY FOR A HOME LOAN AT DESERT FINANCIAL, YOU MUST:

- ▶ Have a minimum credit score of 620 for conventional loans (lower credit scores may still qualify for FHA financing).
- ▶ Have a minimum down payment of 3 percent for conventional loans, although some buyers may qualify for down payment assistance programs.

NOT THERE YET? If your finances aren’t in order right now, it doesn’t mean that you’ll be stuck renting forever. Cut down on monthly spending by dining at home instead of eating out, or replace expensive cable channels with an inexpensive streaming service. Consider getting a second job or adding additional hours to increase the amount you can save toward your down payment. Work to improve your credit by paying down loans and credit card debt, and try to keep your credit card balances at less than 30 percent of your available credit. With a few adjustments to your lifestyle, you may find it easier than you’d expect to save up that down payment — plus an extra cushion for closing costs and other expenses.

¹<https://www.bls.gov/opub/btn/archive/housing-expenditures.pdf>

LINE UP YOUR FINANCING



WHY GET PREQUALIFIED?

The simple answer is that you're more likely to get the home you want. When you make an offer on a home, you're required to either have a Prequalification Form (PQF) from a lender or disclose that you have not been prequalified. When you provide a prequalification, the seller knows that your income and assets have already been documented by the lender — which means that you're more likely to get the financing you need to purchase the home. In a competitive market, sellers often receive multiple offers; buyers with the strongest prequalifications improve their chances of having their offer accepted.

WHAT WILL YOU NEED?

During the homebuying process, your lender may request some of the following documents:



Copies of your most recent paystubs



W-2 forms (last two years)



Recent bank statements



Federal income tax returns (last two years)

The list of documents necessary can vary significantly depending on your individual situation. Consult with one of our mortgage professionals for more information.

WHAT'S THE DIFFERENCE BETWEEN A CREDIT UNION AND A BANK?

Credit unions and banks are both entities that handle money and loans.



Credit unions are owned by their members, which means that they're not-for-profit. They offer the same services as traditional big-box banks, but often with a community focus. For example, [Desert Financial Credit Union](#) is local to Arizona, with nearly 50 locations around the Valley. You will find Desert Financial team members actively engaged in the community we serve, whether we're doing volunteer work for a nonprofit charity, cheering on Arizona sports teams or supporting small businesses.



A traditional bank has hearty resources and millions of customers. These qualities give banks a solid place in the public eye, but can also make them feel cold and impersonal. Banks are for-profit entities, with profits paid out to stockholders.

HOW MUCH SHOULD YOU SAVE FOR A DOWN PAYMENT?

Many new buyers assume that they will need to have tens of thousands of dollars available for a down payment. While 20 percent of the purchase price used to be the rule of thumb, there are several loan programs available now with lower down payment requirements (as low as 3 percent for conventional loans and 3.5 percent for FHA financing). Some buyers may qualify for down payment assistance programs.

There are benefits to making a larger down payment, of course. If you put down 20 percent on a conventional loan, then you don't have to pay for private mortgage insurance (PMI). Not having to pay the extra insurance costs will lower your monthly payments and could also give you more buying power. The U.S. Department of Veterans Affairs has several programs available for U.S. military veterans. You may qualify for a zero down program or for a down payment assistance program, such as [WISH](#).¹ Check out the official [government list](#)² or ask your lender for information on programs you may qualify for.

THE BASICS ON INTEREST RATES AND HOME LOAN TERMS

Three factors determine mortgage interest rates: the Federal Reserve, the demand for U.S. Treasury notes and bonds, and individual financial institutions. In a nutshell, interest rates are based on the overall health of the economy.

Mortgage interest rates have been historically low in recent years. To put these rates into perspective, buyers paid up to 17 percent in 1981. By the 1990s, interest rates hovered around a more manageable 8 percent, falling slightly in the early 2000s. This is where credit unions typically outshine the competition. Because they are not-for-profit, credit unions can offer lower interest rates than some big banks do.

In addition to your mortgage rate, you'll want to know the terms of your loan. What is a "term," or payback period? The number of years it takes to pay off your house. If you're super ambitious, you might apply for a loan with a term of 10 or 15 years; however, the current standard is 30 years.



ON A \$200,000 HOME, A 3 PERCENT DOWN PAYMENT WOULD BE \$6,000

>20%
DOWN



<20%
DOWN



¹Grant money is limited and reserved on a first-come, first-serve basis. Must have an accepted purchase contract to reserve funds. Not all members will be eligible for down payment assistance. Must be a first-time homebuyer. Restrictions apply, including — but not limited to — income and creditworthiness. Ask a representative for more details.
²https://www.hud.gov/program_offices/administration/grants/grantssrc

FIND A REAL ESTATE AGENT



Once you know the basics of what you want and what you can afford, start gathering your team.

DO YOU NEED A REAL ESTATE AGENT, A REAL ESTATE BROKER OR A REALTOR®?

While there are differences between agents, brokers and Realtors, they are all capable of helping you find and purchase a new home. While anyone with a real estate license can be called an agent, brokers and Realtors have the following additional qualifications:

- ▶ **A real estate broker has additional education and has passed a broker's exam.**
- ▶ **A Realtor is a member of the National Association of Realtors®, the largest real estate trade association in America.**

You might be thinking, “I can do this on my own. How hard can this be?” But are you really prepared to find the perfect property, make an offer and go through the negotiation process? The stakes are too high to go it alone. If you don't know where to start, Desert Financial has a list of vetted real estate brokers who can help you through the homebuying process. As a bonus, you'll get a credit of **up to \$5,000 toward your closing costs** if you use one of our participating brokers.¹

¹Participation in the Real Estate Broker Program is voluntary. Desert Financial Credit Union and its subsidiary Define Mortgage Solutions LLC do not receive any benefit, monetary or otherwise, from the Participating Broker under this program. Participating Brokers are non-affiliated third parties of Define Mortgage Solutions LLC and Define Mortgage Solutions LLC makes no warranties or representations about the service provided by the Participating Brokers. To participate in this program, the member does not have to finance the mortgage loan with Define Mortgage Solutions LLC. Amount of credit will vary and is based on 25% of the buyer's agent's commission up to a maximum of \$5,000. For full program details, see the Real Estate Broker Program Notice. Mortgage loans are offered by Define Mortgage Solutions, LLC, NMLS ID #1761612, a subsidiary of Desert Financial Credit Union. BK#0949053

WHAT DOES AN AGENT OR BROKER DO?

An agent does more than just personify Zillow and play tour guide; they will match your house preferences — for example, three bedrooms and two bathrooms with a pool and no HOA — with their extensive database of listings. After consulting the Multiple Listing Service (available only to real estate professionals), your agent will show you only the homes that fit your criteria. He or she will also point out issues that you might not otherwise notice when touring homes, such as missing roof shingles or the fact that the backyard shares a retaining wall with a main street.

As you figure out your likes and dislikes, your preferences will be used to find additional matches in the MLS database. Eventually — fingers crossed — you'll find a house that suits you.

HOW DO AGENTS GET PAID?

The way agents get paid may seem mysterious, because there's never a point when you whip out your credit card. Agents are paid via a commission, which is almost always paid by the seller. Typically, it's about a six-percent commission split two ways.



MAKE AN OFFER





Say you fall in love with a 1,200-square-foot midcentury single-story in Arcadia. You want to put in an offer. Your agent can help you determine the dollar number of your first offer based on market conditions, geographic area, features and time on the market, as well as the selling price of comparable properties. If homes in the area have a history of going for full price in a matter of days, plan your offer accordingly. If an area is in less demand, you might make an offer below listing price or have various caveats for the sale.

WHAT'S A BIDDING WAR?

Bidding wars occur when several interested buyers make competing offers for the same house, raising the price higher and higher as they try to outbid one another. If a seller likes your offer, they may accept it immediately. If it's not quite as high as they would like, they'll either reject or counter your offer. Your real estate agent will present any counteroffers to you, and you can choose to either accept them or make another counteroffer.

WHAT ARE SOME TIPS FOR MAKING AN OFFER?

Consider the market

If it's a buyer's market, use this to your advantage. Before you make an offer, ask your agent for a comparative analysis of the home.

Don't do it alone

Seriously. When you're dealing with this much money, don't you want someone else on your side? Your agent and credit union team have experience with the negotiation and paperwork involved.

GET AN INSPECTION & INSURANCE



Once your offer is accepted by the seller, you typically have 10 days to complete an inspection. This is referred to as the inspection period. Your real estate agent will guide you through this process. Real estate agents typically have inspection companies they can recommend, so you won't have to do extensive research on your own to find a reputable one.



WHAT DOES AN INSPECTION ENTAIL?

A home inspector will do a thorough walkthrough and inspection of the property to determine if there are any potential concerns with the condition of the property. Some examples of issues that a home inspection may turn up include: pests, roof issues, drainage or water problems, plumbing and electrical problems, structural issues and code violations.

Here's an example of what an [inspection document](#) looks like.¹

HOW MUCH DOES A HOME INSPECTION COST AND HOW LONG DOES IT TAKE?

A home inspection usually costs between \$300–\$700, depending on the size of the house and its location. It typically takes a few hours to complete.

DO YOU NEED ONE?

No, not legally. However, you'll probably want one. A thorough inspection could save you a ton of heartache. It will also give you an out if you decide the house has too many problems and you don't want to go through with the deal. Also, some homeowners insurance companies require an inspection before they underwrite the home.

WHAT IF A LOT OF THINGS NEED TO BE FIXED?

Say your inspection turns up a whole mess of issues that weren't obvious when you initially made an offer on the house. The good news is that you now have some leverage for negotiations. Here are a few options to consider (with the help of your real estate agent):

- [1]** Negotiate for repairs or a price reduction. Don't plan to get a discount for projects that were obvious when you made the initial offer. Also, although a seller is likely to fix cosmetic issues before listing, don't request that anything under \$100 be fixed. It's nit-picky and makes the experience unpleasant for both the buyer and the seller.
- [2]** Buy "as-is" for a price cut. You and your agent can make a deal with the buyer, like "cut \$5,000 from the offer price and fix nothing."
- [3]** If the house requires extensive repairs and you don't realize it until after the inspection, you can cancel your contract. You may, however, lose your earnest deposit if you cancel after the inspection period.

DO YOU NEED HOMEOWNERS INSURANCE?

Legally, yes. Typically you pay your homeowners insurance as part of your monthly mortgage payment. The insurance portion of your payment is set aside in an escrow account. The loan servicer will use that money to pay for your homeowners insurance each year. Even though you don't send the check directly, you are paying for insurance, which means you get a say in the type of coverage you have.

Policies range widely as far as what they cover; for example, most Arizona homeowners' policies cover water damage from above, but not below (e.g., "yes" to covering rain damage, but "no" to sprinklers flooding your patio). Read the fine print and talk to Desert Financial about our [homeowners insurance offerings](#).² We can help you find the right coverage level for your new home.

¹<https://www.homegauge.com/report/2408242/FullReportForUploaderPrintWithPictures.html>

²Insurance products and services are offered through Desert Financial Wealth Services, LLC dba Desert Financial Insurance Services and LTCi Consulting, LLC. Desert Financial Wealth Services, LLC is a subsidiary of Desert Financial Credit Union. LTCi Consulting, LLC is not affiliated with Desert Financial Wealth Services, LLC dba Desert Financial Insurance Services or Desert Financial Credit Union. Insurance products and services are not insured by the NCUA, are not an obligation of the credit union, and have no credit union guarantee.

SIGN & CLOSE



The final stage of the homebuying process is signing your loan documents. By now, you will have received a copy of your home appraisal. Your inspection will have been completed, and negotiations on the purchase price will have been finalized.

The signing is typically done at the title company in front of a title escrow officer and a notary. Your real estate agent and your mortgage loan officer may also attend the signing for support. Expect your signing appointment to take about an hour.



WILL I GET MY KEYS AT CLOSING?

The answer likely depends on the time of day that you close on your new home. If your loan appointment is early enough, your loan may fund and record the same day. In this case, you may receive your new house keys at the end of your appointment. If your signing appointment is later in the day or other situations arise, funding and recording may not occur until the following day, which means you'll have to wait at least a day to get your keys.



WHAT SHOULD YOU HAVE WITH YOU FOR THE CLOSING?

Bring your legal ID (driver's license, state ID, etc.), as well as any bank information you need to wire funds for your down payment. You may have the option to bring a cashier's check for your closing costs instead of wiring funds, but you'll need to coordinate with the title company to do so. You should receive copies of all the paperwork that you've signed — and if the loan funds and records the same day, a shiny new set of keys.



READY TO START YOUR HOMEBUYING JOURNEY?

Visit us online at DesertFinancial.com/Mortgage or call us at 602-433-HOME (4663) to speak with one of our Desert Financial mortgage professionals.



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