THE ULTIMATE

TEXAS HOMEBUYER'S GUIDE

Everything You Need to Know Before Buying a Home

Presented by Wayne Wallace

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27 Years of North Texas Mortgage Experience

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Welcome!

Buying a home is one of the biggest financial decisions most people will ever make.

It's exciting. It's emotional. And sometimes, it can feel overwhelming.

The good news is that it doesn't have to be.

During my 27 years in mortgage lending, I've helped thousands of buyers navigate everything from first-time purchases to investment properties, luxury homes, construction financing, and refinancing.

One thing I've learned is that educated buyers make better decisions. That's why I created this guide.

Whether you're just beginning to think about buying or already under contract, you'll find practical information that explains the mortgage process in plain English.

My goal isn't simply to help you get approved for a mortgage. It's to help you become a confident homeowner.

Enjoy the guide, and remember—no question is too small.

About Wayne

Wayne Wallace has been helping Texas families finance homes since 1999.

As Senior Vice President of Mortgage Solutions with Homewood Mortgage, LLC, Wayne specializes in Conventional, FHA, VA, USDA, Jumbo, Construction, HELOC, Reverse Mortgage, DSCR & Investor, Bank Statement, Non-QM, and Down Payment Assistance financing.

Because Homewood Mortgage is a mortgage broker, Wayne has access to multiple wholesale lenders, giving borrowers a broader range of financing options than they might find at a single bank.

Wayne believes communication, education, and proactive problem-solving are the foundation of every successful transaction.

How to Use This Guide

You don't need to read this guide cover to cover.

- **If you're just getting started…** — Read Chapters 1–5
- **If you're already shopping…** — Jump to Chapters 10–15
- **If you're under contract…** — Read Chapters 12–18

Use the checklists. Highlight important pages. Write notes. Ask questions.

The more informed you are, the smoother your home-buying experience will be.

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CHAPTER 01

Is Now the Right Time to Buy?

"Don't try to time the market. Time your life."
— Wayne Wallace

Buying a Home Is More Than a Financial Decision

For many people, buying a home represents stability, independence, and the opportunity to build long-term wealth. It may also be the largest purchase you'll ever make.

That naturally leads to one of the most common questions I hear:

> *"Should I buy now, or should I wait?"*

There isn't a universal answer.

The right time to buy depends on **your financial readiness, your goals, your lifestyle, and your long-term plans**—not headlines, social media posts, or predictions about where mortgage rates or home prices might go.

If you're financially prepared and plan to stay in the home for several years, homeownership can offer meaningful long-term benefits.

Why People Buy Homes

Everyone's reason is different.

Some buyers are tired of paying rent.

Some need more space for a growing family.

Others want a home office, a backyard, or to be closer to work, family, or schools.

Common reasons include:

- Building equity over time
- Creating housing stability
- Having more control over your living space
- Investing in your future
- Reducing the uncertainty of annual rent increases
- Establishing roots in a community

Your reason is what matters most.

Renting vs. Buying

Neither renting nor buying is inherently "better." The right choice depends on your circumstances.

If you're unsure which option fits your situation, we can compare the numbers together.

Homeownership and Equity

One of the biggest advantages of owning a home is the opportunity to build **equity**.

Equity is generally the difference between:

Your home's market value minus The amount you still owe on your mortgage.

Equity can increase through:

- Making mortgage payments that reduce your loan balance
- Home appreciation over time
- Certain home improvements that add value

While real estate values can rise or fall, many homeowners gradually build equity the longer they own their home.

> **WAYNE'S TIP**
>
> Don't think of a mortgage payment as simply an expense.
>
> Part of many mortgage payments goes toward reducing your loan balance, which may help build equity over time. Your payment also typically includes taxes, homeowners insurance, and, when applicable, mortgage insurance.

The Cost of Waiting

Many buyers focus only on mortgage interest rates.

However, rates are only one part of the affordability equation.

Other factors include:

- Home prices
- Inventory
- Competition
- Your income
- Your savings
- Your credit profile

In some markets, waiting may result in paying more for a home if prices continue to rise. In others, additional inventory or changing market conditions may create new opportunities.

Rather than trying to predict the market, it's often more productive to evaluate whether you're financially prepared today.

Are You Financially Ready?

Ask yourself these questions:

Income

Do I have reliable income that comfortably supports a monthly housing payment?

Savings

Have I saved enough for:

- Down payment

- Closing costs
- Emergency reserves
- Moving expenses

Credit

Have I reviewed my credit recently?

Do I know my approximate credit score?

Employment

Is my employment stable?

Timeline

Do I expect to stay in this home for several years?

If you answered "not yet" to one or more of these questions, that doesn't necessarily mean you're not ready—it simply means you may benefit from a plan.

TEXAS SPOTLIGHT

PROPERTY TAXES

Texas does not have a state income tax.

However, property taxes can be a significant part of your monthly housing cost.

When planning your budget, don't focus only on the mortgage payment.

Also consider:

- Property taxes
- Homeowners insurance
- HOA dues (if applicable)
- Maintenance and repairs

Understanding the total monthly cost is just as important as understanding the loan.

MORTGAGE MYTH vs. REALITY

MYTH

"I need a 20% down payment before I can buy a home."

REALITY

While a 20% down payment may help avoid private mortgage insurance on some conventional loans, many buyers qualify with much less depending on the loan program and their individual circumstances.

Examples may include:

- Conventional loans with as little as 3% down for qualified borrowers
- FHA loans with 3.5% down for qualified borrowers
- VA loans with no down payment for eligible veterans and service members

> - USDA loans with no down payment for eligible rural properties and borrowers
>
> Eligibility requirements apply, and loan programs can change over time.

Questions to Ask Yourself

Before beginning your home search, consider these questions:

What monthly payment feels comfortable for my budget?

How long do I plan to stay in the home?

What neighborhoods fit my lifestyle?

What features are "must-haves" versus "nice-to-haves"?

How much do I currently spend on housing?

Am I prepared for ongoing maintenance costs?

Writing down your answers can help you make more confident decisions later.

Homebuyer Readiness Checklist

Use this checklist to evaluate your starting point:

- ☐ I have reviewed my credit.
- ☐ I know my approximate monthly budget.
- ☐ I have started saving for my down payment and closing costs.
- ☐ I understand the difference between renting and buying.
- ☐ I know my general timeline for purchasing.
- ☐ I have begun gathering financial documents.
- ☐ I have questions written down for my lender.

CHAPTER SUMMARY

Buying a home is about more than finding the right interest rate or the perfect house.

It's about making a decision that fits your financial situation, your family, and your long-term goals.

The more prepared you are before you start shopping, the smoother your experience is likely to be.

In the next chapter, we'll explore how mortgage approval really works—and why understanding the process early can help you avoid surprises later.

WAYNE'S FINAL THOUGHT

> *"One of the most rewarding parts of my job is seeing buyers gain confidence through education. The more you understand the process, the better equipped you'll be to make decisions that are right for you and your family."*

SCAN TO CONTINUE ONLINE

Estimate Your Monthly Payment

See real numbers before you decide when to buy.

wayne-wallace.com/mortgage-payment-calculator

CHAPTER 02

How Mortgage Approval Really Works

"A mortgage isn't approved because someone wants to buy a home. It's approved because the lender has confidence the loan can be repaid."

— Wayne Wallace

The Biggest Mortgage Myth

One of the most common misconceptions is that mortgage approval depends on **one thing**—usually a credit score.

In reality, mortgage underwriting is much more comprehensive.

Your application is evaluated based on several factors working together, not just one number.

A borrower with an average credit score may qualify because they have strong income and low debt, while someone with an excellent score may not qualify if their debt is too high or their income can't support the payment.

Mortgage approval is about the complete financial picture.

The Five Pillars of Mortgage Approval

Think of underwriting like building a table.

A table needs multiple sturdy legs to stand.

A mortgage application is similar.

Underwriters typically evaluate five primary areas:

- Income
- Employment
- Credit
- Assets
- The Property

If one area is weaker, strength in another may help, depending on the loan program and the borrower's overall profile.

Pillar 1–Income

The first question an underwriter asks is:

Can the borrower reasonably afford this payment?

Income may come from many different sources, including:

- Salary
- Hourly wages
- Bonuses
- Commissions

- Self-employment
- Retirement income
- Social Security
- Disability income
- Pension income
- Military income
- Rental income (when eligible)

The type of income matters just as much as the amount.

Underwriters look for income that is stable, documented, and likely to continue.

> **WAYNE'S TIP**
> Getting a raise before buying a home is great—but if you've recently changed jobs or pay structures, talk with your lender first. Some types of income require a history before they can be used to qualify.

Pillar 2–Employment

Most buyers assume lenders require two years with the same employer.

That's not necessarily true.

What's often more important is a stable employment history and continuity within your line of work.

For example:

✓ Changing employers while staying in the same profession may not create an issue.

✓ Recent graduates entering their field may also qualify under certain guidelines.

Every situation is unique, which is why it's important to discuss employment changes with your lender early in the process.

Pillar 3–Credit

Credit tells part of your financial story.

Underwriters review more than just your score.

They also consider:

- Payment history
- Credit utilization
- Length of credit history
- Recent inquiries
- Bankruptcies or foreclosures (if applicable)
- Collections or charge-offs
- Overall credit profile

A strong credit score can help, but responsible credit management is equally important.

⚖ **MORTGAGE MYTH vs. REALITY**

MYTH

"My credit score is 700, so I'm automatically approved."

REALITY

Your credit score is only one part of the mortgage approval process. Income, assets, debts, and the property itself all play important roles.

Pillar 4–Assets

Lenders verify that you have enough funds for:

- Down payment
- Closing costs
- Required reserves (when applicable)

Assets may include:

- Checking accounts
- Savings accounts
- Retirement accounts
- Investment accounts
- Gift funds (when allowed)
- Equity from the sale of another home

Large or unusual deposits may require documentation, so it's helpful to keep records if you're moving money between accounts or receiving gifts.

WAYNE'S TIP

Before moving large sums of money, check with your lender. A quick conversation now can prevent unnecessary paperwork later.

Pillar 5–The Property

You're not just buying a home—you're financing one.

Because the property serves as collateral for the loan, lenders also evaluate the home itself.

This typically includes:

- Appraisal
- Property condition (depending on the loan program)
- Title review
- Insurance
- Flood zone status (if applicable)

The property must generally meet the lender's and loan program's requirements before the loan can close.

Understanding Debt-to-Income Ratio (DTI)

One of the most important measurements in underwriting is your **Debt-to-Income Ratio**, often called **DTI**.

DTI compares your monthly debt obligations to your qualifying monthly income.

Generally, it includes:

- Proposed housing payment (principal, interest, taxes, insurance, and applicable HOA dues)
- Car loans
- Student loans
- Credit card minimum payments
- Personal loans
- Other recurring obligations that must be considered under the applicable loan guidelines

Different loan programs have different allowable DTI limits, and compensating factors may also be considered.

Example

Imagine a borrower earns **\$8,000 per month** in qualifying gross income.

Monthly obligations:

- Housing Payment: \$2,200
- Car Payment: \$500
- Student Loan: \$250
- Credit Card Minimums: \$150

Total monthly debt:

\$3,100

DTI:

- \$3,100 ÷ \$8,000 = **38.75%**

Whether that qualifies depends on the loan program and the borrower's overall financial profile.

What Underwriters Want to See

Underwriters are looking for consistency.

They generally like to see:

- ✓ Stable income
- ✓ Responsible credit use
- ✓ Reasonable debt levels
- ✓ Sufficient funds to close
- ✓ Accurate documentation
- ✓ A property that meets program guidelines

The smoother and more complete your documentation, the smoother the underwriting process is likely to be.

Common Reasons Loans Are Delayed

Most delays aren't because the loan is denied.

They're because additional information is needed.

Examples include:

- Missing bank statements
- Unsourced deposits
- Employment verification delays
- Incomplete tax returns
- Updated pay stubs
- Gift fund documentation
- Insurance information
- Title issues

Responding quickly to document requests can help keep your closing on schedule.

> **WAYNE'S TIP**
>
> Think of underwriting as a conversation, not a test. If an underwriter asks for more documentation, it doesn't necessarily mean something is wrong—it often means they need additional information to satisfy program requirements.

Homebuyer Checklist

Before applying, make sure you have:

- ☐ Recent pay stubs
- ☐ W-2s or applicable tax documents
- ☐ Recent bank statements
- ☐ Government-issued ID
- ☐ Employment information
- ☐ Information about your debts
- ☐ Questions written down for your lender

CHAPTER SUMMARY

Mortgage approval isn't based on one number or one document.

It's a comprehensive review of your financial profile, employment, assets, credit, and the property you're financing.

Understanding what underwriters evaluate can help you prepare in advance, reduce surprises, and make the loan process much smoother.

In the next chapter, we'll take a deeper dive into **credit scores**, how they're calculated, what lenders actually look for, and practical steps you can take to strengthen your credit profile before applying for a mortgage.

WAYNE'S FINAL THOUGHT

> *"One of the biggest advantages you can have as a homebuyer is preparation. When you understand how underwriting works, you're in a much better position to navigate the process with confidence."*

SCAN TO CONTINUE ONLINE

Start Your Pre-Approval

See exactly where you stand — no obligation.

wayne-wallace.com/apply

CHAPTER 03

Understanding Credit

How Your Credit Profile Can Influence Your Mortgage

> *"Your credit score opens the door—but your overall credit profile helps determine how wide that door opens."*

- — Wayne Wallace

Why Credit Matters

When you apply for a mortgage, a lender is evaluating risk. One of the tools used to assess that risk is your credit history.

Your credit report provides a record of how you've managed borrowed money over time. It helps lenders understand patterns such as:

- Whether you've made payments on time
- How much of your available credit you're using
- The types of credit you've managed
- The length of your credit history
- Recent credit activity

Your credit score is a summary of that information—but it doesn't tell the whole story.

What Is a Credit Score?

A credit score is a numerical representation of your credit history.

Mortgage lenders commonly use **FICO® Scores**, although there are different versions and scoring models depending on the loan program and lender.

Higher scores generally indicate a lower perceived lending risk, but approval decisions are based on more than the score alone.

What Factors Influence Your Credit Score?

While the exact scoring formulas are proprietary, the following factors are widely recognized as important:

Payment History

Paying your bills on time is one of the most significant contributors to a healthy credit profile.

Even one late payment can have an impact.

Amounts Owed

Credit utilization refers to how much of your available revolving credit you're using.

For example:

- Credit limit: \$10,000
- Balance: \$2,000

- Utilization: 20%

Lower utilization is generally viewed more favorably than consistently carrying high balances.

Length of Credit History

A longer, well-managed credit history may provide more information for lenders than a newly established profile.

Types of Credit

A mix of responsibly managed installment loans (such as auto loans) and revolving credit (such as credit cards) can contribute to a well-rounded credit profile.

New Credit Activity

Applying for multiple new credit accounts within a short period may affect your score and could raise questions during the mortgage process.

> **WAYNE'S TIP**
>
> Before applying for a mortgage, avoid opening new credit accounts or financing major purchases unless you've discussed it with your lender first.

Understanding the Mortgage Credit Report

Mortgage lenders typically review a tri-merge credit report, which combines information from the three major credit reporting agencies.

Depending on the loan program, the qualifying score may be based on the middle score for an individual borrower or other applicable underwriting guidelines.

If there are multiple borrowers, the applicable qualifying score may differ based on the loan program.

Common Credit Myths

Myth #1

> *"I checked my score online, so that's the score the lender will use."*

Reality

Consumer credit scores and mortgage credit scores are often different because they may use different scoring models.

Myth #2

> *"I should close all my credit cards before applying."*

Reality

Closing accounts can sometimes reduce your available credit and affect your utilization ratio.

Before making changes to your credit accounts, discuss your plans with your lender.

Myth #3

> *"Paying off a collection always increases my score immediately."*

Reality

The effect of paying collections varies depending on the type of collection, the scoring model, and your overall credit profile.

There is no universal outcome.

Myth #4

> *"I was denied once, so I'll never qualify."*

Reality

Financial situations change.

Income increases.

Debt decreases.

Credit improves.

New loan programs become available.

Many borrowers who were previously unable to qualify become homeowners after following a plan.

Building Stronger Credit

Improving your credit usually doesn't happen overnight, but consistent habits can make a difference over time.

Consider these strategies:

Pay all bills on time.

Keep credit card balances low relative to your limits.

Avoid opening unnecessary new accounts.

Review your credit reports for accuracy.

Maintain a mix of responsibly managed credit when appropriate.

Communicate with creditors if you're experiencing financial hardship.

Checking Your Credit

Federal law allows consumers to access their credit reports from the nationwide credit reporting agencies.

Reviewing your reports can help you:

- Identify errors
- Monitor for fraud or identity theft
- Understand your credit history
- Prepare for a mortgage application

Keep in mind that checking your own credit report generally does **not** have the same effect as applying for new credit.

Mortgage Shopping and Credit Inquiries

Many buyers worry that comparing mortgage lenders will significantly hurt their credit.

Fortunately, many credit scoring models are designed to recognize that consumers often shop for a mortgage.

Multiple mortgage inquiries made within a designated shopping window may be treated as a single inquiry for scoring purposes, depending on the scoring model.

This allows consumers to compare loan options without the same impact as applying for many different types of credit.

What If Your Credit Needs Work?

You're not alone.

Many successful homeowners started with less-than-perfect credit.

If your credit profile isn't where you'd like it to be, consider creating a plan with your lender.

That plan may include:

- Paying down revolving debt
- Resolving reporting errors
- Avoiding new credit
- Building savings while improving your profile
- Reviewing your progress over time

A thoughtful plan can often position you more strongly when you're ready to buy.

> **WAYNE'S TIP**
>
> Don't assume you can't qualify based on something you read online or heard from a friend. Every borrower has a unique financial picture, and a conversation with a knowledgeable lender can help you understand your options.

Credit Improvement Checklist

- ☐ Review your credit reports for accuracy.
- ☐ Pay all bills on time.
- ☐ Keep credit card balances as low as practical.
- ☐ Avoid unnecessary new credit applications.
- ☐ Save for your down payment and closing costs.
- ☐ Discuss your goals with a lender before making major financial changes.

> **REAL STORY**
>
> **THE CREDIT CARD PAYOFF SURPRISE**

> A borrower wanted to improve their credit before applying for a mortgage. They planned to close several credit card accounts after paying them off.
>
> Instead, we reviewed the situation together. Because closing those accounts could have reduced their available credit and changed their utilization ratio, we developed a different strategy that fit their overall financial picture.
>
> **Lesson:** Before making significant changes to your credit profile, talk with your lender. Small decisions can sometimes have unintended consequences.

CHAPTER SUMMARY

Your credit score is an important part of the mortgage process, but it is only one piece of your overall financial profile.

Understanding how credit works—and avoiding common myths—can help you prepare more effectively for homeownership.

With good habits, patience, and a clear plan, many borrowers can strengthen their credit profile over time.

In the next chapter, we'll focus on **saving for a home**, including down payments, closing costs, emergency reserves, and practical budgeting strategies to help you prepare with confidence.

WAYNE'S FINAL THOUGHT

> *"Perfect credit isn't required to become a homeowner. What's important is understanding where you are today, making informed decisions, and creating a realistic plan for where you want to be."*

CHAPTER 04

Saving for a Home

Building a Financial Plan for Homeownership

> *"Buying a home isn't about having all the money today—it's about having a realistic plan to get there."*

- — Wayne Wallace

One of the Biggest Questions Buyers Ask

After discussing credit, the next question I hear most often is:

> *"How much money do I actually need to buy a home?"*

The answer depends on several factors, including:

- The purchase price
- The loan program
- Your down payment
- Closing costs
- Available assistance programs
- Seller concessions (when negotiated and permitted)
- Your personal financial goals

Many buyers are pleasantly surprised to learn they may need less cash than they expected.

The Four Buckets of Homebuying Savings

Instead of thinking about "one big number," break your savings into four categories.

Bucket #1–Down Payment

The down payment is your initial investment in the home.

Depending on the loan program and your qualifications, the required down payment can vary.

Examples may include:

*Eligibility and program requirements apply.

Remember, a larger down payment isn't always the best financial decision. Sometimes preserving savings for emergencies or future home expenses may be more beneficial.

Bucket #2–Closing Costs

Closing costs are separate from your down payment.

These costs may include:

- Lender fees
- Appraisal
- Title services

- Recording fees
- Escrow setup
- Prepaid property taxes
- Homeowners insurance premiums
- Interest collected through closing

The exact amount varies by transaction.

Your lender will provide estimates during the loan process so you have a clearer understanding of expected costs.

Bucket #3–Moving Expenses

Many buyers focus only on buying the home and forget the cost of moving.

Consider budgeting for:

- Movers
- Rental truck
- Utility deposits
- Internet installation
- Furniture
- Appliances
- Window coverings
- Cleaning supplies
- Lawn equipment

Planning ahead can reduce financial stress after closing.

Bucket #4–Emergency Savings

Owning a home comes with responsibilities.

Even newer homes occasionally require repairs or unexpected maintenance.

Many financial professionals recommend maintaining an emergency fund to help cover unexpected expenses.

Having reserves can provide peace of mind during your transition into homeownership.

> **WAYNE'S TIP**
>
> Don't spend every dollar you have on closing day. Leaving yourself with a financial cushion can make the transition into homeownership much more comfortable.

Ways Buyers Save for a Home

There isn't one right strategy.

Many buyers combine several approaches.

Examples include:

- Automatic monthly transfers into savings
- Reducing discretionary spending
- Tax refunds
- Work bonuses
- Gifts from eligible family members
- Selling items they no longer use
- Proceeds from selling another home

The most successful savings plans are usually consistent rather than aggressive.

Budgeting for Success

Creating a homebuying budget doesn't have to be complicated.

Start with three numbers:

Current Monthly Housing Cost

How much do you currently spend each month on housing?

Target Monthly Payment

What payment feels comfortable based on your overall financial goals?

Remember to include:

- Principal
- Interest
- Property Taxes
- Homeowners Insurance
- HOA dues (if applicable)
- Mortgage Insurance (if applicable)

Monthly Savings Goal

How much can you realistically save each month?

Even small, consistent contributions can add up over time.

Can Family Help?

Many loan programs allow eligible gift funds for down payments and/or closing costs.

Gift funds typically require documentation to verify the source and comply with loan guidelines.

If you expect financial assistance from family, let your lender know early so you understand the documentation requirements.

Down Payment Assistance Programs

Some qualified buyers may be eligible for down payment assistance programs offered through state or local organizations.

Depending on the program, assistance may come in the form of:

- Grants
- Forgivable second liens
- Deferred-payment loans
- Low-interest assistance loans

Eligibility requirements vary by program and may include income limits, purchase price limits, occupancy requirements, homebuyer education, or other criteria.

We'll explore Texas-specific programs in a later chapter.

MORTGAGE MYTH vs. REALITY

MYTH

"I should empty my savings account to buy a house."

REALITY

Buying a home is just the beginning of homeownership.

Maintaining emergency savings can help you handle unexpected expenses with greater confidence.

REAL STORY

THE BUYER WHO WAITED

A buyer delayed purchasing because they believed they needed a 20% down payment.

After reviewing their situation, we found they qualified for a loan program with a much lower minimum down payment.

Instead of waiting several more years to save, they were able to purchase sooner while maintaining a healthy emergency reserve.

Lesson: Don't assume you know what you need. Understanding your options early can help you create a more realistic plan.

Homebuyer Savings Worksheet

Use this worksheet as a planning tool.

Savings Checklist

- ☐ I have started a dedicated home savings account.
- ☐ I know approximately how much I need for a down payment.
- ☐ I understand that closing costs are separate from my down payment.
- ☐ I have considered moving expenses.
- ☐ I plan to maintain emergency savings after closing.
- ☐ I have discussed gift funds or assistance programs with my lender.

CHAPTER SUMMARY

Saving for a home doesn't happen overnight, but breaking the goal into manageable pieces makes it much more achievable.

Instead of focusing on one large number, think about building a complete financial plan that includes your down payment, closing costs, moving expenses, and emergency savings.

A thoughtful savings strategy can help you buy with confidence—and enjoy your new home without unnecessary financial stress.

In the next chapter, we'll take a deeper look at **down payments**, explain how much is really required for different loan programs, and address one of the most persistent myths in real estate: **"Do I really need 20% down?"**

WAYNE'S FINAL THOUGHT

> *"One of my favorite conversations is helping buyers realize that homeownership may be closer than they thought. The sooner we start planning, the more options we usually have."*

CHAPTER 05

Down Payments Explained

Understanding Your Options and Making the Right Choice

> *"The best down payment isn't always the biggest one—it's the one that supports your long-term financial goals."*

- — Wayne Wallace

Do You Really Need 20% Down?

One of the most common misconceptions in real estate is that every buyer must save 20% of the purchase price before buying a home.

While a 20% down payment can provide certain advantages, it is **not a universal requirement**.

Many qualified buyers purchase homes with substantially less.

The right down payment depends on:

- Your financial goals
- The loan program
- Your credit profile
- Your available savings
- Your comfort level with monthly payments

Understanding your options allows you to make a decision that's right for your situation—not based on a myth.

Why Do People Think 20% Is Required?

Historically, a 20% down payment became associated with avoiding **Private Mortgage Insurance (PMI)** on many conventional loans.

Over time, many people began assuming it was required.

In reality, mortgage programs have evolved significantly.

Today, qualified buyers may have several options depending on their circumstances.

Common Down Payment Options

Below are examples of minimum down payments that may be available to qualified borrowers.

*Eligibility requirements, underwriting guidelines, and program availability apply.

Should You Put More Money Down?

There isn't one right answer.

A larger down payment may:

- Reduce your loan amount
- Lower your monthly payment
- Reduce or eliminate mortgage insurance on certain loan types

- Increase equity at closing

However, putting every available dollar into the down payment isn't always the best financial decision.

Some buyers prefer to:

- Keep emergency savings
- Pay off higher-interest debt
- Reserve funds for renovations
- Maintain investment flexibility

The right strategy depends on your overall financial picture.

> **WAYNE'S TIP**
>
> A down payment should help you buy a home—not leave you financially stretched afterward. Maintaining a healthy financial cushion is often just as important as the amount you bring to closing.

Understanding Private Mortgage Insurance (PMI)

If you're purchasing with less than a 20% down payment on many conventional loans, you may be required to carry **Private Mortgage Insurance (PMI).**

PMI helps protect the lender if the loan defaults.

It's important to remember:

PMI **does not** insure the homeowner.

Depending on the loan type and circumstances, PMI may eventually be removed once certain conditions are met.

Your lender can explain how mortgage insurance works for the loan program you're considering.

FHA Mortgage Insurance

FHA loans use a different mortgage insurance structure than conventional loans.

Borrowers may pay:

- An upfront mortgage insurance premium (which is often financed into the loan amount), and

An annual mortgage insurance premium that is paid monthly.

The duration of FHA mortgage insurance depends on factors such as the loan's original loan-to-value ratio and other program guidelines.

VA Loans

Eligible veterans, active-duty service members, and certain surviving spouses may qualify for VA financing.

Potential benefits include:

- No down payment for eligible borrowers
- No monthly mortgage insurance
- Flexible credit guidelines compared to some other programs

- Competitive financing options

Some borrowers may be required to pay a VA funding fee unless exempt.

USDA Loans

USDA loans are designed to promote homeownership in eligible rural and certain suburban areas.

Potential benefits include:

- No down payment for eligible borrowers
- Competitive financing
- Income and property eligibility requirements

Many buyers are surprised to learn that some areas outside major cities may qualify.

Gift Funds

Family members may be able to help with your down payment or closing costs through gift funds, depending on the loan program.

Gift funds generally require documentation, including:

- A gift letter
- Verification of the donor's ability to provide the funds
- Documentation of the transfer

Your lender will explain the documentation required for your specific loan.

Down Payment Assistance (DPA)

Some buyers qualify for down payment assistance programs.

These programs may provide:

- Grants
- Forgivable assistance
- Deferred-payment assistance
- Low-interest second liens

Eligibility varies by program.

We'll explore Texas-specific assistance programs in the next chapter.

> ⚖ **MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"If I put less money down, I'm making a bad financial decision."*
>
> **REALITY**
>
> Sometimes preserving savings for emergencies, home repairs, or other financial goals can be a prudent choice.
>
> The best strategy depends on your complete financial picture—not just the percentage of your down payment.

REAL STORY

KEEPING CASH IN RESERVE

A buyer had enough savings to make a 20% down payment but would have had very little money left afterward.

After reviewing the options, they chose a smaller down payment, maintained a healthy emergency reserve, and still purchased the home they wanted.

A few months later, the home's HVAC system required repairs. Because they had preserved savings, they were able to handle the expense without taking on additional debt.

Lesson: Homeownership doesn't end at closing. Maintaining financial flexibility can be just as important as minimizing your loan balance.

Down Payment Comparison

The "best" option depends on your goals, available funds, and loan program.

Down Payment Planning Worksheet

- Estimated Purchase Price:
- Estimated Down Payment:
- Gift Funds Available:
- Expected Closing Costs:
- Emergency Savings After Closing:

Questions for My Lender:

CHAPTER SUMMARY

Your down payment is one of the most important financial decisions you'll make during the homebuying process—but it isn't a one-size-fits-all choice.

Understanding the advantages and trade-offs of different down payment options can help you make a decision that supports both your home purchase and your long-term financial goals.

The next chapter introduces **Texas Down Payment Assistance Programs**, including an overview of programs that may help qualified buyers reduce the upfront cost of purchasing a home.

WAYNE'S FINAL THOUGHT

> *"I've worked with buyers who waited years because they believed they needed 20% down. In many cases, they had options they simply didn't know existed. Education opens doors."*

CHAPTER 06

Texas Down Payment Assistance Programs

Helping Qualified Buyers Bridge the Gap to Homeownership

> *"One of the biggest surprises I see is when buyers discover there may be programs available that can help with upfront costs. The key is finding out if you qualify before you assume you don't."*

- — Wayne Wallace

What Is Down Payment Assistance?

One of the biggest challenges for many homebuyers isn't the monthly payment—it's coming up with enough cash for the upfront costs of purchasing a home.

Down Payment Assistance (DPA) programs are designed to help qualified buyers with some of those costs.

Depending on the program, assistance may help cover:

- Down payment
- Closing costs
- Prepaid expenses
- A combination of these items

Each program has its own eligibility requirements, funding availability, and terms.

Who Offers Down Payment Assistance?

In Texas, DPA programs may be offered through:

- State housing agencies
- Local housing authorities
- Certain cities and counties
- Employers
- Nonprofit organizations
- Community development organizations

Not every program is available in every area, and availability may change over time.

Common Types of Assistance

Grants

A grant generally does not require repayment if all program requirements are met.

Some grants have occupancy or other conditions, so it's important to understand the specific program rules.

Forgivable Loans

Some programs provide assistance as a second lien that may be forgiven after a specified period if program requirements continue to be met.

Examples of conditions may include:

- Living in the home as your primary residence
- Remaining in the property for a required number of years

Selling or refinancing before the forgiveness period ends may affect repayment requirements.

Deferred-Payment Loans

Some assistance programs require repayment later, often when:

- The home is sold
- The loan is refinanced
- The property is no longer your primary residence

Deferred does not necessarily mean forgiven.

Low-Interest Second Mortgages

Some programs provide assistance through a second mortgage with favorable repayment terms.

Understanding both the first and second mortgage obligations is important before choosing this option.

Texas State Affordable Housing Corporation (TSAHC)

One of the best-known statewide resources is the **Texas State Affordable Housing Corporation (TSAHC)**.

TSAHC offers programs that may assist qualified buyers with:

- Down payment assistance
- Closing cost assistance
- Mortgage Credit Certificates (MCCs) for eligible borrowers

Eligibility depends on factors such as:

- Household income
- Purchase price
- Occupancy
- Loan type
- Property location (where applicable)
- Program guidelines in effect at the time of application

Programs and funding can change, so current guidelines should always be reviewed.

> **WAYNE'S TIP**
>
> Many buyers assume they earn too much—or too little—to qualify for assistance. The only way to know is to review the current guidelines and compare them to your specific situation.

Mortgage Credit Certificates (MCCs)

Some qualified buyers may benefit from a **Mortgage Credit Certificate**.

An MCC may provide a federal income tax credit on a portion of the mortgage interest paid each year, subject to IRS rules and program requirements.

Because tax situations vary, buyers should consult a qualified tax professional to understand how an MCC may apply to them.

Can DPA Be Combined with Other Loan Programs?

In some cases, yes.

Certain DPA programs may be paired with:

- Conventional loans
- FHA loans
- VA loans
- USDA loans

Compatibility depends on the specific assistance program and loan guidelines.

Common Myths About DPA

Myth #1

> *"Down Payment Assistance is only for first-time buyers."*

Reality

Many programs are designed for first-time buyers, but some are available to repeat buyers or have exceptions based on program rules.

Myth #2

> *"If I use DPA, I'll automatically pay a much higher interest rate."*

Reality

Some assistance programs may have different pricing structures than standard mortgage options. It's important to compare the overall cost, including the value of the assistance, to determine what best fits your goals.

Myth #3

> *"I'll have to repay all the assistance."*

Reality

Repayment depends entirely on the specific program. Some assistance is forgivable, some is deferred, and some requires repayment. Understanding the terms is essential before moving forward.

Is Down Payment Assistance Right for You?

DPA can be a valuable tool, but it isn't the right fit for every borrower.

When evaluating your options, consider:

- Your available savings
- Your timeline

- The assistance terms
- Your long-term plans
- The overall financing package

A program with assistance isn't automatically the best choice if another loan structure better supports your financial goals.

REAL STORY

FIRST-TIME BUYER SUCCESS

A buyer had steady income and good credit but believed they needed another year to save enough for a down payment.

After reviewing available programs, we identified an assistance option that significantly reduced the cash needed at closing. Because the buyer understood the program's requirements and long-term obligations, they were able to move forward sooner than expected.

Lesson: Assistance programs can help qualified buyers, but they should always be evaluated as part of the complete financing picture.

Questions to Ask Your Lender

Which DPA programs am I eligible to explore?

Is the assistance a grant, forgivable loan, or repayable loan?

What happens if I refinance or sell my home?

Are there income or purchase price limits?

Does this program require homebuyer education?

Can the program be combined with the loan I'm considering?

Down Payment Assistance Checklist

- ☐ I understand that not all programs work the same way.
- ☐ I know that eligibility requirements apply.
- ☐ I have asked whether I qualify for any available programs.
- ☐ I understand whether assistance must be repaid.
- ☐ I have reviewed the long-term requirements before making a decision.

CHAPTER SUMMARY

Down Payment Assistance programs can make homeownership more accessible for qualified buyers by helping reduce upfront costs.

However, every program has unique requirements, benefits, and trade-offs. Taking the time to understand how a program works—and whether it aligns with your financial goals—is an important step in making an informed decision.

In the next chapter, we'll explore the major mortgage loan programs available to Texas homebuyers and explain how Conventional, FHA, VA, USDA, Jumbo, Construction, HELOC, Reverse, and Non-QM financing differ.

WAYNE'S FINAL THOUGHT

> *"The goal isn't simply to find a program that offers assistance. It's to find the financing solution that helps you become a successful homeowner—not just on closing day, but for years to come."*

SCAN TO CONTINUE ONLINE

Down Payment & Closing Cost Programs

See which Texas assistance programs you may qualify for.

wayne-wallace.com/understanding-mortgage-closing-costs-texas

CHAPTER 07

Choosing the Right Mortgage Program

Finding the Loan That Fits Your Goals

> *"The best mortgage isn't the one with the lowest rate or the smallest down payment—it's the one that fits your financial goals, both today and years from now."*

- — Wayne Wallace

There's No "Best" Mortgage

One of the first questions many buyers ask is:

> *"What's the best loan?"*

The answer is simple:

It depends.

Every borrower has a different financial picture, timeline, and set of goals.

The "best" loan for one family may not be the best choice for another.

- Rather than looking for the perfect loan, focus on finding the **right loan for your situation.**

Conventional Loans

Best For

- Buyers with established credit
- Moderate to larger down payments
- Stable income
- Primary residences, second homes, and some investment properties

Advantages

- ✓ Down payments as low as 3% for qualified borrowers
- ✓ Competitive financing options
- ✓ Wide variety of loan terms
- ✓ Mortgage insurance may eventually be removed when eligible

Considerations

Credit standards may be more stringent than some government-backed programs.

Mortgage insurance may be required when the down payment is less than 20%.

> **WAYNE'S TIP**
>
> Conventional loans are often more flexible than buyers expect. Don't assume you need 20% down—there may be options available depending on your qualifications.

FHA Loans

Created to expand access to homeownership, FHA loans are popular with many first-time buyers and borrowers who may benefit from more flexible qualification standards.

Advantages

- ✓ Down payments as low as 3.5% for qualified borrowers
- ✓ Flexible credit guidelines
- ✓ Gift funds are generally permitted

Considerations

Mortgage insurance requirements differ from conventional loans.

The home must meet FHA property standards.

Loan limits apply.

VA Loans

The VA Home Loan program is one of the most valuable mortgage benefits available to eligible veterans, active-duty service members, certain National Guard and Reserve members, and some surviving spouses.

Advantages

- ✓ No down payment for eligible borrowers
- ✓ No monthly mortgage insurance
- ✓ Competitive financing
- ✓ Flexible underwriting compared to many other loan types

Considerations

Eligibility requirements apply.

Some borrowers pay a VA Funding Fee unless exempt.

> ⚖ **MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"VA loans are harder for sellers to accept."*
>
> **REALITY**
>
> A VA loan is simply another financing option. The success of the transaction depends on the strength of the offer, communication among the parties, and meeting program requirements—not on the loan type alone.

USDA Loans

USDA financing helps promote homeownership in eligible rural and certain suburban communities.

Many buyers are surprised to discover that some areas just outside major metropolitan regions qualify.

Advantages

- ✓ No down payment for eligible borrowers
- ✓ Competitive financing
- ✓ Lower upfront cash needs

Considerations

- Geographic eligibility
- Household income limits
- Primary residence requirement

Jumbo Loans

Jumbo financing is used for homes that exceed the applicable conforming loan limits.

Best For

- Luxury homes
- Higher-priced markets
- Buyers seeking financing above conforming loan limits

Advantages

- ✓ Financing for higher-value homes
- ✓ Multiple loan structures may be available

Considerations

- Larger down payments may be required
- Reserve requirements may apply
- Strong credit and financial documentation are often important

Construction Loans

Building a custom home differs significantly from purchasing an existing home.

Construction financing is designed to fund the building process before transitioning to permanent financing or being paid off through another arrangement, depending on the loan structure.

Advantages

- ✓ Build a custom home
- ✓ Finance construction costs
- ✓ Flexible building options

Considerations

- Builder approval requirements

- Construction timelines
- Draw schedules
- Additional documentation

Non-QM Loans

Non-Qualified Mortgage (Non-QM) financing may help borrowers whose income or financial profile doesn't fit traditional agency guidelines.

Examples

- Self-employed borrowers
- Bank statement programs
- Asset utilization
- Investor financing
- Alternative income documentation

Important Note

Non-QM does **not** mean "subprime."

Many borrowers using Non-QM financing have strong financial profiles but need alternative documentation.

DSCR Loans

Debt Service Coverage Ratio (DSCR) loans are designed primarily for real estate investors.

Rather than qualifying primarily on personal income, these programs often focus on the property's ability to generate rental income.

Best For

- ✓ Real estate investors
- ✓ Rental property purchases
- ✓ Portfolio expansion

HELOC

A Home Equity Line of Credit allows homeowners to borrow against available equity in their home.

Common uses include:

- Home improvements
- Debt consolidation
- Emergency expenses
- Education costs

Like any financial product, a HELOC should be used thoughtfully and with a clear repayment plan.

Reverse Mortgages

Reverse mortgages are designed for eligible older homeowners who wish to access a portion of their home's equity.

Potential uses include:

- Supplementing retirement income
- Paying off an existing mortgage
- Home modifications
- Medical expenses

A reverse mortgage is a specialized product and should be evaluated carefully with the assistance of qualified professionals.

Comparing Loan Programs

*Illustrative only. Eligibility and program guidelines apply.

How We Help You Choose

When I work with a client, I don't start by asking:

> *"Which loan do you want?"*

Instead, I ask questions like:

What are your long-term goals?

How long do you plan to own the home?

What's most important to you—monthly payment, cash at closing, or flexibility?

Are you buying your first home, upgrading, investing, or building?

Then we compare financing options together so you can make an informed decision.

> **WAYNE'S TIP**
>
> Don't shop for a loan—shop for the right strategy. Two loans with similar payments can have very different long-term outcomes depending on your goals.

Questions to Ask Your Lender

Which loan programs fit my situation?

What are the minimum qualification requirements?

How much cash will I need at closing?

What are the long-term costs and benefits?

Are there assistance programs that can be combined with this loan?

How flexible is the program if my situation changes?

CHAPTER SUMMARY

Every mortgage program has strengths, trade-offs, and eligibility requirements.

Rather than searching for the "best" loan, focus on understanding your options and selecting the financing strategy that aligns with your financial goals.

An experienced lender can help you compare programs side by side so you can make a confident, informed decision.

In the next chapter, we'll move beyond financing and discuss one of the most important members of your homebuying team: **your real estate agent**—how to choose one, what they do, and how lenders and Realtors work together to help create a successful transaction.

WAYNE'S FINAL THOUGHT

> *"I've never believed in one-size-fits-all mortgages. Every client deserves a financing strategy built around their goals—not just a loan product."*

SCAN TO CONTINUE ONLINE

FHA vs. Conventional vs. VA vs. USDA

Compare programs side by side and find your best fit.

wayne-wallace.com/best-mortgage-loan-fha-va-usda-conventional

CHAPTER 08

Building Your Homebuying Team

Why the Right Professionals Make All the Difference

> *"Buying a home is a team effort. When your lender, Realtor, title company, insurance agent, and inspector work together, the process is smoother, communication improves, and surprises are less likely."*

- — Wayne Wallace

You Don't Have to Navigate This Alone

Buying a home involves many moving parts.

Even experienced buyers rarely handle everything themselves.

One of the biggest advantages you have is building a team of professionals who are focused on helping you succeed.

Your homebuying team may include:

- Mortgage Loan Officer
- Real Estate Agent
- Title Company
- Home Inspector
- Insurance Agent
- Appraiser
- Surveyor (when needed)
- Real Estate Attorney (in certain situations)

Each person plays a different role.

Your Mortgage Loan Officer

Your lender helps you understand:

- Your buying power
- Loan options
- Monthly payment estimates
- Cash needed to close
- The mortgage approval process
- Interest rate options
- Closing costs

A good lender should also help educate you—not just process paperwork.

WAYNE'S TIP

> Your lender should be one of the first people you speak with—not the last. A pre-approval gives you confidence before you start shopping and helps avoid surprises later.

Your Real Estate Agent

Your Realtor® (or licensed real estate agent) is your advocate during the home search and purchase process.

They help you:

- Find homes that meet your criteria
- Schedule showings
- Research comparable sales
- Prepare offers
- Negotiate price and terms
- Coordinate inspections
- Manage deadlines
- Navigate contracts
- Guide you through closing

Buying a home without professional representation may increase the likelihood of overlooking important details.

What Makes a Great Realtor?

Every buyer has different priorities, but some qualities are consistently valuable.

Look for someone who:

- ✓ Communicates promptly
- ✓ Knows the local market
- ✓ Explains contracts clearly
- ✓ Negotiates professionally
- ✓ Understands your goals
- ✓ Coordinates well with lenders and title companies
- ✓ Has positive reviews or referrals
- ✓ Makes you feel comfortable asking questions

Questions to Ask Before Choosing an Agent

Consider asking:

How long have you been selling homes?

Which areas do you specialize in?

Do you primarily represent buyers or sellers?

How do you communicate with clients?

What happens if we lose out on our first offer?

What challenges are you seeing in today's market?

There isn't a perfect answer to every question—the goal is to find someone whose communication style and experience match your needs.

The Importance of Communication

One of the biggest reasons real estate transactions become stressful is poor communication.

Your lender and Realtor should work together throughout the transaction.

For example:

The Realtor should know when financing milestones are reached.

The lender should know about contract deadlines.

Both should communicate proactively if questions or issues arise.

A well-coordinated team can often prevent small issues from becoming larger problems.

> ⚖ **MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"I can always find the house first and worry about financing later."*
>
> **REALITY**
>
> Getting pre-approved before shopping can help you understand your budget, strengthen your offer, and reduce the likelihood of financing surprises after you're under contract.

The Title Company

In Texas, title companies play a central role in most real estate transactions.

They typically:

- Research the property's ownership history
- Help ensure clear title
- Coordinate the closing
- Handle escrow funds
- Record legal documents
- Issue title insurance

Your title company works behind the scenes to help protect both you and your lender.

The Home Inspector

A home inspection provides valuable information about the property's condition.

While inspections don't guarantee that a home is free of defects, they can identify items that may warrant further evaluation or negotiation.

Common inspection topics include:

- Roof

- Foundation
- Plumbing
- Electrical
- HVAC
- Appliances
- Structural components

Even newly constructed homes can benefit from an independent inspection.

Homeowners Insurance Agent

Before closing, you'll need homeowners insurance that meets your lender's requirements.

Your insurance professional can help you understand:

- Coverage options
- Deductibles
- Additional endorsements
- Flood insurance requirements (if applicable)
- Discounts that may be available

Insurance premiums vary, so comparing quotes may help you find the coverage that best fits your needs.

The Appraiser

An appraiser provides an independent opinion of the property's market value based on established appraisal standards.

The appraisal helps the lender determine whether the property's value supports the loan amount.

It's important to understand:

An appraisal is **not** the same as a home inspection.

How Your Team Works Together

A successful closing depends on coordination.

Here's a simplified timeline:

- Pre-Approval
- |
- ▼
- Find a Realtor
- |
- ▼
- View Homes
- |
- ▼
- Submit Offer
- |

- ▼
- Contract Accepted
- |
- ▼
- Inspection
- |
- ▼
- Appraisal
- |
- ▼
- Loan Approval
- |
- ▼
- Closing
- |
- ▼
- Move In

When everyone communicates effectively, the process is generally smoother.

> ☑ **REAL STORY**
>
> **THE VALUE OF TEAMWORK**
>
> A buyer's appraisal came in lower than expected.
>
> Instead of reacting independently, the buyer's agent, listing agent, lender, and title company worked together to review options. After negotiations, the parties reached an agreement that allowed the transaction to move forward.
>
> **Lesson:** Challenges don't always end a transaction. An experienced, collaborative team can often identify solutions.

Building Your Team Checklist

- ☐ I have selected a lender.
- ☐ I have obtained a pre-approval.
- ☐ I have chosen a Realtor.
- ☐ I understand each professional's role.
- ☐ I know how to reach my team members.
- ☐ I feel comfortable asking questions throughout the process.

CHAPTER SUMMARY

Buying a home is one of the largest financial decisions you'll make, but you don't have to do it alone.

Choosing experienced professionals who communicate well and understand your goals can make the process more organized, less stressful, and more enjoyable.

In the next chapter, we'll begin the exciting part of the journey: **shopping for your home**—creating your wish list, evaluating neighborhoods, understanding new construction versus resale homes, and making smart decisions before you fall in love with a property.

WAYNE'S FINAL THOUGHT

> *"The best transactions aren't the ones without challenges—they're the ones where the right people work together to solve them."*

CHAPTER 09

Shopping for Your Home

Turning Your Dream into a Smart Decision

> *"Fall in love with the neighborhood first. The house is something you can often improve over time."*

- — Wayne Wallace

Congratulations!

You've taken the time to prepare.

You've reviewed your finances.

You've explored loan options.

You've assembled your homebuying team.

Now comes the fun part...

Shopping for your new home.

This is often the most exciting stage of the journey—but it's also where buyers can become emotional. The key is balancing excitement with thoughtful decision-making.

Start With Your Lifestyle

Before browsing listings, think about how you actually live.

Ask yourself:

How far am I willing to commute?

Do I work from home?

How important are nearby parks or trails?

Do I need space for a growing family?

Will I have guests frequently?

Is a large yard important?

Do I want a newer home or one with character?

Buying the right home starts with understanding your lifestyle—not just your wish list.

Needs vs. Wants

One of the best exercises before looking at homes is separating your **needs** from your **wants**.

Needs

These are features you truly require.

Examples:

- Minimum number of bedrooms

- Number of bathrooms
- Commute distance
- Accessibility features
- School district preferences
- Garage
- Home office

Wants

These are features you'd enjoy but can live without.

Examples:

- Swimming pool
- Outdoor kitchen
- Media room
- Vaulted ceilings
- Quartz countertops
- Hardwood flooring
- Large covered patio
- Smart home technology

Being flexible on "wants" often gives you more choices.

> **WAYNE'S TIP**
>
> Every buyer has a wish list. The happiest homeowners usually focus on buying the right location and floor plan first because cosmetic updates can often be made over time.

Choosing the Right Neighborhood

Remember...

You can remodel a kitchen.

You usually can't move the neighborhood.

Things to consider include:

- Commute times
- Nearby shopping
- Restaurants
- Parks
- Schools
- Future development
- Noise levels
- Traffic

- HOA requirements
- Property tax rates

Visit neighborhoods:

- Morning
- Afternoon
- Evening
- Weekends

You'll often notice things at different times of day.

New Construction vs. Existing Homes

Both offer advantages.

New Construction

Advantages

- ✓ Modern floor plans
- ✓ Energy efficiency
- ✓ Builder warranties
- ✓ Customization options (during construction)
- ✓ Lower maintenance initially

Considerations

- Construction timelines
- Potential delays
- Builder contract terms
- Landscaping may not be complete
- Additional upgrade costs

Existing Homes

Advantages

- ✓ Established neighborhoods
- ✓ Mature trees
- ✓ Larger lots in many areas
- ✓ Immediate availability
- ✓ Unique architectural styles

Considerations

- Older systems
- Potential repairs
- Remodeling needs

- Less customization

Neither option is inherently better—the right choice depends on your priorities.

Touring Homes

When walking through a property, look beyond the staging.

Pay attention to:

- Roof condition
- Foundation signs
- Water stains
- Window condition
- HVAC age
- Electrical panel
- Plumbing fixtures
- Natural lighting
- Storage space
- Layout

It's easy to become distracted by fresh paint or attractive furniture.

Focus on the home itself.

Don't Forget the Monthly Budget

Just because you're approved for a certain amount doesn't mean you should spend that amount.

Think about:

- Mortgage payment
- Property taxes
- Homeowners insurance
- HOA dues
- Utilities
- Lawn care
- Maintenance
- Future repairs

Your goal is to own your home comfortably—not stretch your finances to the limit.

> **MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"If I'm approved for \$600,000, I should buy a \$600,000 home."*
>
> **REALITY**
>
> Approval and affordability aren't always the same thing.
>
> Choose a payment that supports your long-term financial goals and lifestyle.

Looking Beyond the Home

Ask yourself:

Is there room to grow?

Will this home still meet my needs in five years?

How easy might it be to resell in the future?

Does the neighborhood fit my lifestyle?

Am I buying because I love the home—or because I feel pressure?

Sometimes walking away from the wrong home creates the opportunity to find the right one.

REAL STORY

THE "PERFECT" HOUSE

A buyer fell in love with a beautifully updated home. During the inspection period, several significant issues were identified, including foundation movement and an aging HVAC system.

Rather than rushing to close, the buyer and Realtor negotiated repairs and credits with the seller. The buyer ultimately purchased the home with a much better understanding of its condition and a plan for future maintenance.

Lesson: The right home isn't necessarily the one with the nicest finishes—it's the one that fits your needs, budget, and long-term goals.

Home Shopping Checklist

Before making an offer, ask yourself:

- ☐ Does this home meet my needs?
- ☐ Can I comfortably afford the monthly payment?
- ☐ Am I comfortable with the neighborhood?
- ☐ Have I considered future maintenance?
- ☐ Have I reviewed HOA information, if applicable?
- ☐ Would I still be happy with this home in five years?

Questions for Your Realtor

How long has the home been on the market?

Have there been price reductions?

Are there competing offers?

What comparable homes have sold for recently?

Are there any known issues with the property?

What is the seller's preferred closing timeline?

These questions can help you make a more informed offer.

CHAPTER SUMMARY

Shopping for a home is exciting, but it's also one of the most important decision-making stages of the buying process.

By focusing on your long-term goals, understanding the difference between needs and wants, and working closely with your Realtor and lender, you'll be better prepared to choose a home that fits both your lifestyle and your financial plan.

In the next chapter, we'll discuss **making an offer**, including earnest money, option periods (Texas-specific), negotiations, seller concessions, and what happens once the seller says "yes."

WAYNE'S FINAL THOUGHT

> *"Some buyers think they're looking for the perfect house. In reality, they're looking for the right home at the right price with a payment that allows them to enjoy life after closing."*

CHAPTER 10

Making an Offer

From "We Love This House" to "We're Under Contract"

> *"Buying a home isn't about winning a bidding war—it's about making a smart decision that aligns with your financial goals."*

- — Wayne Wallace

You Found the One... Now What?

After touring homes, you've finally found one that feels right.

Now comes one of the most important decisions in the entire process:

Making an offer.

An offer is more than just a purchase price. It outlines the terms under which you're willing to buy the property and forms the foundation of your purchase contract.

Your Realtor will help prepare and present the offer, explain your options, and negotiate on your behalf.

What Is Included in an Offer?

A purchase offer typically includes much more than the price.

Common terms include:

- Purchase price
- Earnest money
- Option fee (Texas)
- Closing date
- Financing type
- Requested seller concessions (if any)
- Personal property to remain
- Inspection period
- Other negotiated terms

Each element can influence the strength and attractiveness of your offer.

Earnest Money

Earnest money is a deposit that demonstrates your serious intent to purchase the property.

In Texas, earnest money is generally deposited with the title company after the contract is executed.

If the transaction closes, the earnest money is typically applied toward your funds due at closing.

If the transaction does not close, the disposition of the earnest money depends on the terms of the contract and the circumstances surrounding the termination.

Your Realtor can explain how this works in your specific transaction.

TEXAS SPOTLIGHT

THE OPTION PERIOD

Texas real estate contracts often include an **option period**.

During this negotiated period, the buyer has the opportunity to:

- Conduct inspections
- Evaluate the property
- Review findings
- Decide whether to proceed under the terms of the contract

The option period provides valuable time to make an informed decision.

If you choose to terminate the contract during the option period under the applicable contract provisions, the option fee is generally not refunded, but the disposition of earnest money depends on the contract terms.

Your Realtor will help explain the deadlines and requirements.

WAYNE'S TIP

Never waive inspections simply because you're excited about the home. Even newer homes can have issues that deserve professional evaluation.

Negotiation Is More Than Price

Many buyers focus only on purchase price.

In reality, several contract terms may be negotiated.

Examples include:

- Seller-paid closing costs
- Repair requests
- Closing date
- Personal property
- Home warranty (if negotiated)
- Possession date

Sometimes a lower price isn't the most valuable concession.

For example, seller contributions toward closing costs may reduce the cash you need at closing.

Seller Concessions

A seller concession is an agreement for the seller to pay certain buyer expenses, subject to loan program guidelines and negotiations.

Examples may include:

- Closing costs
- Prepaid expenses

- Discount points (when applicable)

Maximum allowable concessions vary by loan program and down payment.

Your lender and Realtor can help structure the request appropriately.

Multiple Offer Situations

In competitive markets, sellers may receive multiple offers.

If that happens:

Stay calm.

Avoid making emotional decisions.

Instead, consider:

- Your maximum comfortable purchase price
- Your financing strength
- Your desired closing timeline
- Other contract terms

Your Realtor can help you evaluate the situation objectively.

⚖ **MORTGAGE MYTH vs. REALITY**

MYTH

"The highest offer always wins."

REALITY

Sellers often evaluate the entire offer, including financing strength, closing timeline, contingencies, and the likelihood of a successful closing.

Sometimes a slightly lower offer with stronger terms is more attractive.

Should You Offer Over Asking Price?

There isn't one right answer.

The appropriate offer depends on:

- Recent comparable sales
- Market conditions
- Property condition
- Seller motivation
- Competing offers

Your Realtor will provide market data to help you make an informed decision.

After the Seller Accepts

Congratulations!

- Your home is now officially **under contract.**

The next steps often include:

- Deliver earnest money
- Deliver option fee (Texas)
- Schedule inspections
- Submit additional loan documentation if needed
- Begin appraisal process
- Finalize homeowners insurance
- Continue through underwriting

This is where communication between your lender, Realtor, title company, and other professionals becomes especially important.

☑ **REAL STORY**

NEGOTIATING BEYOND PRICE

A buyer wanted to offer less than the asking price.

Instead of focusing only on price, the buyer's agent negotiated seller-paid closing costs while maintaining a competitive purchase price.

The result reduced the buyer's upfront cash requirement and still allowed the transaction to move forward.

Lesson: A successful negotiation considers the entire financial picture—not just the purchase price.

Questions to Ask Before Making an Offer

How long has the property been on the market?

Have there been recent price reductions?

What comparable homes have sold for?

Are there competing offers?

Are there known repair issues?

Is the seller requesting a particular closing timeline?

The answers to these questions can help shape a competitive, informed offer.

Offer Preparation Checklist

- ☐ I understand my financing.
- ☐ I know my maximum comfortable monthly payment.
- ☐ I have reviewed comparable sales with my Realtor.
- ☐ I understand earnest money.
- ☐ I understand the Texas option period.
- ☐ I know the proposed closing timeline.
- ☐ I have discussed inspection plans.

CHAPTER SUMMARY

Making an offer is one of the most exciting—and important—steps in buying a home.

Understanding the components of a purchase contract, the role of earnest money, the Texas option period, and the value of negotiation helps you move forward with confidence.

In the next chapter, we'll discuss **home inspections**, what inspectors look for, how to interpret inspection reports, and what happens if issues are discovered.

WAYNE'S FINAL THOUGHT

> *"An accepted offer is exciting, but it's just the beginning of the due diligence process. Taking the time to understand the contract and investigate the property helps protect one of the biggest investments you'll ever make."*

CHAPTER 11

The Home Inspection

Understanding the Property Before You Close

> *"A home inspection isn't about finding the perfect house—it's about understanding the house you're buying."*

- — Wayne Wallace

Why Inspections Matter

Once your offer has been accepted, one of the first steps during your due diligence period is typically scheduling a home inspection.

A professional inspection provides valuable information about the property's visible condition at the time of the inspection.

Think of it as an opportunity to become familiar with your future home—not necessarily a pass-or-fail test.

Even brand-new homes can have items identified during an inspection.

What Does a Home Inspector Do?

A licensed home inspector performs a visual evaluation of many accessible components of the home.

Typical areas include:

- Roof
- Foundation
- Exterior
- Plumbing
- Electrical
- Heating and air conditioning
- Attic
- Insulation
- Windows and doors
- Appliances
- Interior finishes
- Garage
- Drainage

Inspectors document observations and provide a written report that can help buyers make informed decisions.

What an Inspection Does NOT Do

It's equally important to understand what an inspection is **not**.

A home inspection generally does not:

- Guarantee future performance of any system

- Predict when components will fail
- Identify every hidden issue
- Replace specialized inspections when needed
- Establish market value

If concerns are identified, your Realtor may recommend additional evaluations by qualified specialists.

> **WAYNE'S TIP**
>
> Don't be alarmed by the length of the inspection report. Even excellent homes often have lengthy reports because inspectors document everything from loose doorknobs to safety recommendations.

Common Inspection Findings

Most inspection reports include a combination of:

Maintenance Items

Examples:

- Caulking
- Weather stripping
- Loose handrails
- Minor plumbing leaks
- GFCI outlet recommendations

These are common homeowner maintenance items.

Repair Items

Examples:

- Roof damage
- HVAC concerns
- Plumbing leaks
- Electrical issues
- Foundation movement
- Water intrusion

These items may warrant further evaluation or negotiation.

Safety Concerns

Examples:

- Missing smoke detectors
- Exposed wiring
- Improper handrails
- Trip hazards

- Gas leaks

Safety items should receive prompt attention.

Should Every Issue Be Repaired?

Not necessarily.

Most homes—even well-maintained ones—have imperfections.

Instead of requesting every minor repair, buyers and Realtors often prioritize:

- Health and safety concerns
- Structural issues
- Water intrusion
- Major mechanical systems
- Significant electrical concerns

Your Realtor can help you determine which items are reasonable to discuss with the seller.

Negotiating Repairs

After reviewing the inspection report, buyers generally have several options, depending on the contract and negotiations.

They may:

- Request repairs
- Request a price reduction
- Request seller-paid credits (subject to lender guidelines and negotiations)
- Accept the property as-is
- Exercise rights available under the contract

Every situation is different.

> **TEXAS SPOTLIGHT**
>
> **THE OPTION PERIOD**
>
> In Texas, inspections commonly occur during the negotiated option period.
>
> This allows buyers time to:
>
> - Review inspection findings
> - Obtain additional evaluations if needed
> - Negotiate repairs or other contract modifications
> - Decide whether to proceed under the terms of the contract
>
> Because deadlines are important, maintain close communication with your Realtor during this period.

Specialized Inspections

Depending on the property, additional inspections may be recommended.

Examples include:

- Foundation evaluation
- Roof inspection
- HVAC evaluation
- Pool inspection
- Septic system inspection
- Well inspection
- Pest inspection
- Structural engineer evaluation

Your Realtor or inspector can advise whether additional evaluations may be appropriate.

New Construction Inspections

Many buyers assume a newly built home doesn't need an inspection.

In reality, independent inspections can still provide valuable information.

Construction involves many trades and numerous components.

A third-party inspection may identify items that can be addressed before closing or during the builder's warranty period.

⚖ **MORTGAGE MYTH vs. REALITY**

MYTH

"If the inspection report has 75 items, I shouldn't buy the house."

REALITY

Most inspection reports contain dozens of observations, many of which involve routine maintenance or minor recommendations.

The focus should be on understanding the significance of each item—not simply counting the number of findings.

Understanding the Inspection Report

Your inspection report may include:

- Photos
- Descriptions
- Severity levels
- Recommendations
- Safety observations

Read the report carefully.

If something isn't clear, ask your inspector to explain it.

No question is too small.

REAL STORY

THE LONG INSPECTION REPORT

A buyer received a 68-page inspection report and immediately assumed the home had major problems.

After reviewing the report with the inspector and Realtor, they discovered that most findings involved routine maintenance and minor recommendations.

Only a handful of items required negotiation.

The buyer proceeded with confidence after understanding the true condition of the property.

Lesson: Don't judge a home by the length of the inspection report. Focus on the significance of the findings.

Questions to Ask Your Inspector

Which items should I address immediately?

Which items are routine maintenance?

Are any issues safety concerns?

Should additional specialists evaluate anything?

What repairs would you prioritize if this were your home?

Inspection Day Checklist

- ☐ Attend the inspection if possible.
- ☐ Ask questions.
- ☐ Take notes.
- ☐ Review photos carefully.
- ☐ Discuss findings with your Realtor.
- ☐ Prioritize significant issues.
- ☐ Understand your contract deadlines.

CHAPTER SUMMARY

A home inspection is one of the most valuable tools available during the homebuying process.

It helps you understand the property's condition, identify potential concerns, and make informed decisions before closing.

Remember, nearly every home has imperfections. The goal isn't to find a perfect home—it's to understand the one you're buying.

In the next chapter, we'll follow your loan into the lender's world and explain **what really happens after you go under contract**—processing, underwriting, conditions, appraisal, and how your file moves toward "Clear to Close."

WAYNE'S FINAL THOUGHT

> *"The inspection isn't there to scare you—it's there to educate you. An informed buyer is a confident buyer."*

CHAPTER 12

The Mortgage Process

What Really Happens Between Contract and Closing

> *"A mortgage isn't approved by one person in one day. It's a carefully coordinated process involving many professionals working together to verify information, satisfy lending requirements, and prepare your loan for closing."*

- — Wayne Wallace

Congratulations—You're Under Contract!

This is one of the most exciting milestones in your homebuying journey.

But it's also where many buyers begin asking...

> *"Now what?"*

Once a purchase contract is signed, your loan enters a structured process designed to verify information, satisfy underwriting requirements, and prepare everything for closing.

Knowing what happens behind the scenes can make the experience much less stressful.

Step 1

Loan Application

Although much of your information has already been collected during pre-approval, your file is now updated using the executed purchase contract.

Your lender reviews:

- Purchase contract
- Sales price
- Earnest money
- Down payment
- Loan program
- Property information
- Closing timeline

If anything has changed since your pre-approval, adjustments may be needed.

Step 2

Loan Disclosures

Federal law requires lenders to provide certain disclosures shortly after receiving a completed loan application.

These documents explain:

- Estimated loan terms
- Estimated closing costs
- Projected monthly payment

- Important consumer information

Review these carefully and ask questions if anything is unclear.

> **WAYNE'S TIP**
>
> The initial Loan Estimate is exactly that—an estimate. Some costs become more precise as inspections, title work, insurance, and other information are finalized.

Step 3

Loan Processing

Your processor becomes the project manager for your loan.

Their job is to organize documentation and prepare your file for underwriting.

Typical responsibilities include:

- Reviewing income documentation
- Reviewing bank statements
- Ordering verifications
- Reviewing credit
- Coordinating with title
- Ordering appraisal
- Requesting additional documents
- Preparing the underwriting package

A well-organized processor helps keep the transaction moving smoothly.

Step 4

The Appraisal

The appraisal is ordered through an independent process to determine whether the property's market value supports the loan amount.

The appraiser evaluates:

- Comparable sales
- Property condition
- Location
- Size
- Features
- Market trends

Remember:

An appraisal establishes an opinion of value.

It is **not** a home inspection.

Step 5

Underwriting

This is the step that often makes buyers nervous.

But underwriting is simply a detailed review of your loan.

The underwriter evaluates:

- ✓ Income
- ✓ Employment
- ✓ Credit
- ✓ Assets
- ✓ Property
- ✓ Loan program requirements
- ✓ Documentation

Their job is to determine whether the loan meets applicable lending guidelines.

> ⚖ **MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"Going to underwriting means something is wrong."*
>
> **REALITY**
>
> Every mortgage goes through underwriting.
>
> Receiving questions or requests for additional documentation is a normal part of the process.

Conditional Approval

Many buyers receive what's called a **Conditional Approval**.

This is actually good news.

It generally means the underwriter intends to approve the loan once certain outstanding items have been satisfied.

Examples of common conditions include:

- Updated pay stubs
- Letter of explanation
- Additional bank statements
- Proof of earnest money
- Insurance information
- Final title documents
- Verification of employment

Receiving conditions does **not** automatically mean there is a problem.

> **WAYNE'S TIP**
>
> The faster you respond to documentation requests, the smoother your closing is likely to be. Many delays happen simply because requested documents aren't returned promptly.

Step 6

Clearing Conditions

Your processor works closely with you to gather any remaining documentation.

Once everything has been received, the file is returned to underwriting for final review.

Some loans require only one review.

Others may require multiple reviews depending on the circumstances.

Step 7

Clear to Close

This is one of the most exciting phone calls you'll receive.

> *"You're Clear to Close!"*

This means:

The lender has completed underwriting.

Conditions have been satisfied.

The loan is approved for closing, subject to final pre-closing requirements.

Now the closing package can be prepared.

Step 8

Closing Disclosure

Federal law generally requires borrowers to receive a Closing Disclosure before consummation of most mortgage loans.

The Closing Disclosure summarizes:

- Final loan terms
- Interest rate
- Monthly payment
- Cash needed to close
- Closing costs

Compare it to your earlier Loan Estimate and ask your lender about any significant differences.

Step 9

Final Verification

Shortly before closing, lenders commonly perform final checks.

These may include:

- Employment verification
- Credit refresh or monitoring
- Review for new debt (when applicable)
- Confirmation of required funds

This is one reason it's important to avoid major financial changes before closing.

Things to Avoid Before Closing

Once you're under contract, avoid:

- ❌ Opening new credit cards
- ❌ Financing furniture
- ❌ Buying a vehicle
- ❌ Quitting your job
- ❌ Making large unexplained deposits
- ❌ Missing bill payments
- ❌ Cosigning for someone else's loan
- ❌ Moving money without discussing it with your lender

Small financial changes can sometimes require additional review.

> ☑ **REAL STORY**
>
> **THE FURNITURE PURCHASE**
>
> A buyer was fully approved and decided to finance an entire house full of furniture before closing.
>
> The new debt increased the buyer's debt-to-income ratio and required the loan to be re-underwritten.
>
> Closing was delayed while the lender reviewed the updated financial picture.
>
> **Lesson:** Wait until after closing to finance major purchases unless you've discussed them with your lender.

Your Loan Team

Throughout the process, several professionals are working together:

- Loan Officer
- Loan Processor
- Underwriter
- Closing Department
- Title Company
- Appraiser
- Insurance Agent

- Realtor

Each person has a different role, but all are working toward the same goal: a successful closing.

Mortgage Process Checklist

- ☐ Return requested documents promptly.
- ☐ Avoid opening new credit.
- ☐ Avoid changing jobs without discussing it.
- ☐ Shop for homeowners insurance.
- ☐ Review your Loan Estimate.
- ☐ Review your Closing Disclosure.
- ☐ Ask questions whenever something isn't clear.

CHAPTER SUMMARY

The mortgage process involves much more than filling out an application.

From processing and underwriting to appraisal, title work, insurance, and final approval, many professionals work together behind the scenes to prepare your loan for closing.

Understanding the process helps reduce uncertainty and allows you to focus on what matters most—preparing for your new home.

In the next chapter, we'll explore **appraisals** in greater detail, including how values are determined, what happens when an appraisal comes in low, and common misconceptions about the appraisal process.

WAYNE'S FINAL THOUGHT

> *"The loan process works best when everyone communicates openly. If you're ever unsure about a request or a document, ask. My job isn't just to help you get to closing—it's to make sure you understand the journey along the way."*

CHAPTER 13

Understanding the Appraisal

Why the Home's Value Matters

> *"The appraisal isn't about proving what a buyer is willing to pay—it's about providing an independent opinion of market value based on available data."*

- — Wayne Wallace

What Is an Appraisal?

An appraisal is an independent, professional opinion of a property's market value.

When financing a home, the lender typically requires an appraisal to help determine whether the property's value supports the loan amount.

The appraiser's responsibility is to provide an objective analysis—not to advocate for the buyer, seller, or lender.

Why Does the Lender Require an Appraisal?

The home serves as collateral for the mortgage.

The appraisal helps the lender evaluate whether the property's market value is consistent with the agreed-upon purchase price and the requested loan amount.

The appraisal protects the lending process by providing an independent assessment based on recognized appraisal standards.

The Appraiser's Role

A licensed or certified appraiser evaluates numerous factors, including:

- Recent comparable sales ("comps")
- Location
- Square footage
- Floor plan
- Bedrooms and bathrooms
- Lot size
- Age of the home
- Quality of construction
- Condition
- Renovations and updates
- Market trends

No single feature determines value. The appraiser considers the property as a whole and compares it with similar homes that have recently sold.

WAYNE'S TIP

> Appraisers don't determine value based on what the buyer hopes the home is worth or what the seller wants to receive. Their opinion is based on market data and established appraisal practices.

Comparable Sales (Comps)

Comparable sales are recently sold homes that are similar to the property being appraised.

Ideally, comparable homes have similar:

- Location
- Size
- Age
- Design
- Condition
- Lot characteristics

Because no two homes are identical, the appraiser may make adjustments to account for meaningful differences.

Does the Purchase Price Matter?

Yes—but it isn't the only factor.

The purchase contract is one piece of information the appraiser considers.

Ultimately, however, the appraiser's opinion is based on the available market evidence.

What Happens During the Appraisal?

The appraiser typically:

- Schedules a property visit
- Measures the home
- Photographs interior and exterior features (when applicable)
- Notes the property's condition
- Researches comparable sales
- Analyzes market data
- Prepares a written appraisal report

The process may vary depending on the loan program and appraisal assignment.

> **MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"If I offered \$500,000, then the home is automatically worth \$500,000."*
>
> **REALITY**
>
> The agreed purchase price reflects what buyer and seller negotiated. The appraisal provides an independent opinion of market value using recognized appraisal methods. The two are often similar—but not always.

What If the Appraisal Comes In at Value?

Great news!

The transaction can continue moving forward, assuming all other loan and contract requirements are satisfied.

What If the Appraisal Comes In Above the Purchase Price?

Many buyers ask:

> *"Do I automatically receive extra equity?"*

While paying less than the appraised value may be encouraging, it doesn't change the agreed purchase price or loan terms by itself.

The transaction generally proceeds based on the contract.

What If the Appraisal Comes In Below the Purchase Price?

This is known as a **low appraisal**.

While it can feel discouraging, it doesn't automatically mean the transaction is over.

Depending on the circumstances, the parties may consider options such as:

- Renegotiating the purchase price
- Requesting a reconsideration of value if appropriate
- Buyer bringing additional funds to closing
- Seller reducing the price
- Other solutions consistent with the contract and lender guidelines

Every situation is unique.

> **WAYNE'S TIP**
>
> A low appraisal doesn't always end a transaction. Buyers, sellers, Realtors, and lenders often work together to evaluate available options.

Appraisal vs. Home Inspection

These are two very different services.

Both are important, but they serve different purposes.

Property Condition

For some loan programs, the appraiser may also note conditions that could affect the property's eligibility.

Examples may include:

- Significant safety concerns
- Major deferred maintenance

- Missing required features
- Structural concerns observed during the appraisal

The appraiser is not performing a full home inspection, but certain observations may require additional review depending on the loan program.

REAL STORY

THE UNEXPECTED APPRAISAL

A buyer agreed to purchase a home for \$410,000.

The appraisal concluded a market value of \$400,000.

Rather than canceling the transaction, the buyer and seller negotiated a revised purchase price that allowed the sale to move forward.

Lesson: A low appraisal creates a conversation—not necessarily the end of the transaction.

Questions to Ask Your Lender

Has the appraisal been completed?

Has the appraisal been reviewed?

Are there any appraisal-related conditions?

If the value is lower than expected, what options might be available?

Appraisal Checklist

- ☐ I understand that the appraisal is different from the inspection.
- ☐ I know why the lender requires an appraisal.
- ☐ I understand that comparable sales influence value.
- ☐ I know that a low appraisal doesn't automatically end the transaction.
- ☐ I will discuss any appraisal questions with my lender and Realtor.

CHAPTER SUMMARY

The appraisal is an important part of the homebuying process because it provides an independent opinion of value that helps support the mortgage transaction.

While most appraisals align closely with the contract price, understanding how appraisals work—and what options may exist if the value differs—can help reduce uncertainty and prepare you for the next step.

In the next chapter, we'll break down **closing costs**, explain where the money goes, and show you how to read your Closing Disclosure with confidence.

WAYNE'S FINAL THOUGHT

> *"The appraisal isn't about proving someone right or wrong. It's one piece of the overall transaction that helps everyone make informed decisions based on the available market data."*

CHAPTER 14

Understanding Closing Costs

Where Does All the Money Go?

> *"One of the biggest misconceptions about buying a home is that every dollar you bring to closing is a lender fee. In reality, your closing costs include many different services that make the transaction possible."*

- — Wayne Wallace

What Are Closing Costs?

Closing costs are the expenses associated with completing a real estate transaction and obtaining a mortgage.

They are generally **separate from your down payment**.

The exact amount depends on many factors, including:

- Purchase price
- Loan amount
- Loan program
- Property taxes
- Insurance premiums
- Title company charges
- Government recording fees
- Seller concessions (if negotiated)
- Escrow requirements

Your lender will provide estimates early in the process and final figures before closing.

Where Does the Money Go?

Closing costs are paid to several different parties—not just the lender.

Examples include:

- Lender
- Title Company
- Appraiser
- Homeowners Insurance Company
- County Recording Office
- Credit Reporting Services
- Mortgage Insurance (when applicable)
- Flood Certification

Every transaction is unique.

Common Closing Cost Categories

Loan Costs

These may include:

- Loan origination charges (if applicable)
- Discount points (if chosen)
- Credit report
- Flood certification
- Appraisal
- Verification services

Not every loan includes every fee.

Title Costs

Title services help ensure the property can legally transfer ownership.

These may include:

- Title search
- Title examination
- Escrow services
- Closing services
- Title insurance
- Recording coordination

In Texas, title companies play a central role in the closing process.

Government Fees

These may include:

- Recording fees
- Transfer-related fees (where applicable)

Requirements vary by location.

Prepaid Items

Some expenses are collected in advance because they become due shortly after closing.

Examples include:

- Homeowners insurance premium
- Daily interest
- Property taxes (depending on closing date)
- Initial escrow deposits (if required)

These aren't additional charges—they're amounts that will ultimately be owed as part of homeownership.

Understanding Escrow Accounts

Many mortgage loans include an escrow account.

Each month, part of your mortgage payment may be set aside to pay future:

- Property taxes
- Homeowners insurance
- Mortgage insurance (if applicable)

When those bills become due, the loan servicer generally pays them from the escrow account.

Escrow helps many homeowners budget for larger annual expenses by spreading them over monthly payments.

> **WAYNE'S TIP**
>
> Don't compare closing costs based on one number alone. Two loans may have similar total costs but very different structures. Always ask questions so you understand what you're paying for and why.

Can the Seller Help?

In some transactions, buyers negotiate for the seller to contribute toward certain closing costs.

These are commonly called **seller concessions**.

Whether concessions are available depends on:

- Negotiations
- Market conditions
- Loan program guidelines
- Contract terms

Your Realtor and lender can help you understand the options available in your transaction.

Discount Points

Some borrowers choose to pay **discount points** to reduce the interest rate on their mortgage.

Whether paying points makes sense depends on factors such as:

- How long you expect to keep the loan
- Available cash at closing
- Your financial goals

There is no one-size-fits-all answer.

Ask your lender to compare multiple scenarios.

> **⚖ MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"Closing costs are just hidden lender fees."*
>
> **REALITY**
>
> Many closing costs are payments for third-party services, government fees, title work, insurance, appraisals, and prepaid expenses. Understanding the breakdown helps buyers make informed decisions.

Reading Your Loan Estimate

One of the most important documents you'll receive is the **Loan Estimate**.

It summarizes:

- Loan amount
- Interest rate
- Monthly payment estimate
- Estimated cash to close
- Estimated closing costs
- Projected taxes and insurance

Review it carefully.

If something doesn't make sense, ask your lender to explain it.

Reading Your Closing Disclosure

- Shortly before closing, you'll receive a **Closing Disclosure (CD).**

This document provides the final terms of your loan, including:

- Final loan amount
- Interest rate
- Monthly payment
- Cash required at closing
- Closing costs
- Escrow information

Compare it with your Loan Estimate and ask about any meaningful differences.

☑ **REAL STORY**

LOOKING BEYOND THE INTEREST RATE

Two buyers received different loan options.

One option had a slightly lower interest rate but required additional upfront costs through discount points.

Another option had a slightly higher rate with lower upfront costs.

After discussing their plans to move within several years, the buyers chose the option with lower upfront costs because it better aligned with their financial goals.

Lesson: The lowest interest rate isn't always the best financial choice. Consider both short-term and long-term costs.

Questions to Ask Your Lender

How much cash should I expect to bring to closing?

Which fees are lender charges?

Which fees are paid to third parties?

Are seller concessions included?

Should I consider paying discount points?

What will my monthly escrow payment include?

Closing Cost Checklist

- ☐ I have reviewed my Loan Estimate.
- ☐ I understand my estimated cash to close.
- ☐ I have compared my Loan Estimate with my Closing Disclosure.
- ☐ I understand my escrow account.
- ☐ I know how certified funds or wire instructions will be provided.
- ☐ I have asked questions about any fees I don't understand.

Wire Fraud Alert

One of the most important topics in today's real estate transactions is **wire fraud**.

Criminals sometimes attempt to intercept emails and send fake wiring instructions.

To help protect yourself:

Never rely solely on emailed wiring instructions.

Always verify wire instructions by calling the title company using a trusted phone number—not one included in a suspicious email.

Be cautious of last-minute changes to wiring instructions.

If something seems unusual, stop and verify before sending funds.

Taking a few extra minutes to confirm instructions can help protect your money.

CHAPTER SUMMARY

Closing costs are an important part of buying a home, but they don't have to be confusing.

Understanding what each cost represents—and who receives those funds—can help you approach closing day with confidence instead of uncertainty.

In the next chapter, we'll walk through **Closing Day**, explaining exactly what to expect, what to bring, how funds are handled, and when you'll receive the keys to your new home.

WAYNE'S FINAL THOUGHT

> *"One of my goals is that there are no surprises on closing day. When buyers understand their Loan Estimate, Closing Disclosure, and cash-to-close figures ahead of time, they can focus on enjoying one of the biggest milestones of their lives."*

SCAN TO CONTINUE ONLINE

Understand Every Closing Cost

The full line-by-line breakdown, explained simply.

wayne-wallace.com/understanding-mortgage-closing-costs-texas

CHAPTER 15

Closing Day

What to Expect When It's Finally Time to Sign

> *"Closing day isn't the end of the mortgage process—it's the beginning of your homeownership journey."*

- — Wayne Wallace

Congratulations!

You've reached one of the biggest milestones in your homebuying journey.

The inspections are complete.

The appraisal has been approved.

- Your loan has received **Clear to Close.**

Now it's time to sign the paperwork and officially become a homeowner.

Many buyers feel nervous about closing because they aren't sure what to expect.

The good news?

Once you understand the process, closing day is usually much simpler than people imagine.

Before Closing Day

Several things typically happen before you ever sit down at the closing table.

Your lender and title company work together to prepare:

- Final loan documents
- Closing Disclosure
- Cash-to-close amount
- Wire instructions or certified funds instructions
- Recording documents
- Loan funding package

During this time you'll likely:

- ✓ Review your Closing Disclosure
- ✓ Arrange homeowners insurance
- ✓ Schedule utilities
- ✓ Confirm your closing appointment

> **WAYNE'S TIP**
>
> Don't schedule movers for the morning of closing. While most closings happen on schedule, funding and recording times can occasionally vary.

The Final Walkthrough

Shortly before closing, your Realtor will usually schedule a final walkthrough.

This isn't another home inspection.

Instead, you're confirming:

The property is in substantially the agreed-upon condition.

Negotiated repairs (if any) appear complete.

Agreed personal property remains.

The home is ready for transfer.

If something doesn't look right, notify your Realtor before closing.

What Should You Bring?

Your title company or closing agent will provide specific instructions, but buyers commonly bring:

- ✓ Government-issued photo ID
- ✓ Certified funds or verified wire (if required)
- ✓ Proof of homeowners insurance (if requested)
- ✓ Any remaining requested documents

Double-check your appointment instructions ahead of time.

Wire Fraud Reminder

One of the most important reminders in this guide:

Always verify wire instructions directly with the title company using a trusted phone number.

Never rely solely on wiring instructions received by email.

If anything changes at the last minute, stop and verify before sending funds.

What Happens at the Closing Table?

Depending on your state and transaction, you'll review and sign several documents.

These commonly include:

- Promissory Note
- Deed of Trust or Mortgage
- Closing Disclosure
- Loan documents
- Tax forms
- Affidavits
- Title documents

Don't worry...

You aren't expected to understand every page on your own.

Your closing agent and lender are there to answer questions.

The Promissory Note

The Note is your promise to repay the loan according to its terms.

It includes information such as:

- Loan amount
- Interest rate
- Payment schedule
- Loan term

Think of it as the written agreement describing your repayment obligations.

The Security Instrument

Depending on the state, you'll sign either a Mortgage or a Deed of Trust.

In Texas, this is typically a **Deed of Trust**.

This document secures the property as collateral for the loan.

> ⚖ **MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"I'll be signing hundreds of pages and won't understand any of them."*
>
> **REALITY**
>
> While there may be many documents, most are standardized forms.
>
> Your closing agent, lender, and Realtor can explain anything you don't understand.
>
> Never hesitate to ask questions.

Funding

After the documents are signed...

The lender reviews everything one final time.

Once all requirements have been satisfied...

The loan is funded.

Funding means the lender releases the mortgage funds.

Recording

The title company then records the transaction with the appropriate county office.

Recording officially transfers ownership and secures the lender's lien.

Once recording has occurred (or according to local practices and the terms of the transaction), you're ready for the next exciting step...

The Best Part...

You Get the Keys!

Congratulations!

You're officially a homeowner.

Take a moment to enjoy the accomplishment.

Buying a home takes planning, patience, and teamwork.

You've earned it.

Your First Week as a Homeowner

After moving in:

Change the locks (or rekey them).

Locate:

- Water shutoff
- Electrical panel
- Gas shutoff (if applicable)

Test:

- Smoke detectors
- Carbon monoxide detectors (where applicable)

Store:

- Closing documents
- Warranty information
- Appliance manuals

Meet your neighbors.

Celebrate!

WAYNE'S TIP

Keep both paper and digital copies of your closing documents. You'll likely need them for taxes, future refinancing, insurance questions, or when you eventually sell the home.

REAL STORY

A SMOOTH CLOSING

One buyer arrived early, reviewed their Closing Disclosure in advance, verified their wire instructions with the title company, and brought all requested documentation.

Because everything had been prepared ahead of time, the signing appointment was efficient, funding occurred as expected, and the buyers were able to receive their keys later that day.

Lesson: Preparation before closing day often makes closing day feel easy.

Closing Day Checklist

- ☐ Review Closing Disclosure.
- ☐ Confirm appointment time.
- ☐ Verify wire instructions independently.
- ☐ Bring required identification.
- ☐ Complete final walkthrough.
- ☐ Ask questions before signing.
- ☐ Celebrate becoming a homeowner!

CHAPTER SUMMARY

Closing day is one of the most rewarding milestones in the homebuying journey.

Understanding what happens before, during, and after signing can help reduce anxiety and allow you to enjoy the experience with confidence.

Remember, your lender, Realtor, and title company are there to guide you every step of the way.

In the next chapter, we'll discuss **Life After Closing**, including protecting your investment, budgeting for homeownership, maintenance, homestead exemptions, and planning for the future.

WAYNE'S FINAL THOUGHT

> *"Closing day is a celebration—but it's also the beginning of a new chapter. My goal isn't just to help you get your keys. It's to help you succeed as a homeowner for years to come."*

CHAPTER 16

Life After Closing

Protecting Your Investment and Building Your Future

> *"Homeownership isn't measured by the day you receive the keys. It's measured by the memories you create, the equity you build, and the financial foundation you establish over time."*

- — Wayne Wallace

Welcome Home!

Congratulations!

You've unpacked a few boxes.

You've figured out which light switch controls what.

You've probably discovered at least one thing that wasn't in the inspection report.

Welcome to homeownership.

Owning a home is exciting, rewarding, and sometimes a little overwhelming.

The good news?

A little planning now can help you avoid many common homeowner headaches later.

Your First 30 Days

During your first month, make these items a priority.

Safety First

Replace or rekey all exterior door locks.

You never know who may still have copies of old keys.

Replace smoke detector batteries.

Even if they're working today, start fresh.

If your home has carbon monoxide detectors, test those as well.

Locate important shutoffs.

Know where to find:

- Main water shutoff
- Electrical panel
- Gas shutoff (if applicable)

Someday you'll be glad you know.

Organize Your Home Records

Create one location for important documents.

Include:

- Closing Disclosure
- Deed
- Title Policy
- Survey
- Inspection Report
- Appraisal (if provided)
- Insurance Policy
- Appliance Manuals
- Warranty Information
- Contractor Receipts

Digital copies stored securely in the cloud can be just as valuable as paper copies.

> **WAYNE'S TIP**
>
> Take photos of every room shortly after moving in. If you ever need to file an insurance claim, you'll have a record of your home's condition and personal belongings.

Budgeting for Homeownership

Many first-time buyers focus on the mortgage payment.

Successful homeowners budget for the entire ownership experience.

Remember to account for:

- Property taxes
- Homeowners insurance
- HOA dues (if applicable)
- Lawn care
- Pest control
- HVAC servicing
- Plumbing repairs
- Appliances
- Paint
- Landscaping
- General maintenance

A simple maintenance fund can help prevent small repairs from becoming financial emergencies.

The 1% Rule

Many financial planners suggest budgeting approximately **1% of your home's value each year** for ongoing maintenance and repairs.

This is only a planning guideline—not a guarantee of future expenses.

Some years may require very little maintenance.

Others may require more significant repairs.

Planning ahead can reduce stress.

Understanding Escrow Changes

Many buyers are surprised when their monthly mortgage payment changes after the first year.

Here's why.

Your mortgage payment may include:

- Principal
- Interest
- Property taxes
- Homeowners insurance

While your principal and interest payment typically remains stable on a fixed-rate mortgage, taxes and insurance can change over time.

If property taxes or insurance premiums increase, your monthly payment may also change.

Review your annual escrow analysis carefully and ask questions if something doesn't make sense.

TEXAS SPOTLIGHT

APPLY FOR YOUR HOMESTEAD EXEMPTION

If the home is your primary residence, you may qualify for the Texas Homestead Exemption.

Potential benefits include:

- Reduced taxable value
- Property tax savings
- Additional protections under Texas law

The exemption is **not automatic**.

You'll generally need to apply with your county appraisal district after meeting the eligibility requirements.

Check with your local appraisal district for current filing requirements and deadlines.

WAYNE'S TIP

Mark your calendar to apply for your Homestead Exemption as soon as you're eligible. It's one of the simplest ways many Texas homeowners can reduce their property tax burden.

Build Equity Intentionally

Homeownership can become a powerful financial tool over time.

Ways homeowners may build equity include:

- Making scheduled mortgage payments
- Making additional principal payments (if appropriate)
- Home appreciation
- Strategic improvements that add value

Remember:

Not every renovation increases market value equally.

Home Improvements That May Add Value

Projects that often appeal to future buyers include:

- Kitchen updates
- Bathroom improvements
- Energy-efficient upgrades
- Fresh interior paint
- Landscaping
- Flooring improvements
- Roof replacement (when needed)
- HVAC upgrades

Before undertaking major renovations, consider whether they align with your long-term plans.

Protect Your Credit

Now that you've purchased your home:

Continue:

- ✓ Paying bills on time
- ✓ Monitoring your credit
- ✓ Maintaining emergency savings
- ✓ Avoiding unnecessary debt

Strong financial habits after closing can create opportunities in the future, whether you're refinancing, purchasing another property, or investing.

> ⚖ **MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"My mortgage payment will never change."*
>
> **REALITY**
>
> If you have a fixed-rate mortgage, the principal and interest portion of your payment generally remains the same. However, changes in property taxes, homeowners insurance, HOA dues (if applicable), or escrow adjustments can affect your total monthly payment.

Home Maintenance Calendar

Monthly

- Replace HVAC filter (or follow manufacturer recommendations)
- Check smoke detectors
- Inspect for leaks
- Test GFCI outlets

Spring

- Inspect roof after storms
- Clean gutters
- Service air conditioner
- Check irrigation systems

Summer

- Pressure wash exterior
- Inspect fencing
- Trim landscaping
- Check exterior paint

Fall

- Service heating system
- Clean gutters again
- Seal gaps around doors and windows
- Drain outdoor faucets if needed

Winter

- Protect exposed pipes during freezes
- Inspect attic insulation
- Test emergency equipment
- Review homeowners insurance coverage

REAL STORY

THE \$15 AIR FILTER

A homeowner skipped changing their HVAC filter for more than a year.

Restricted airflow eventually contributed to a costly repair.

A simple maintenance task that would have cost less than twenty dollars became a repair costing several hundred dollars.

Lesson: Regular maintenance often costs far less than major repairs.

Homeowner Success Checklist

- ☐ I changed or rekeyed the locks.
- ☐ I know where the water shutoff is.
- ☐ I have organized my closing documents.
- ☐ I created a maintenance budget.
- ☐ I understand how escrow works.
- ☐ I have a reminder to apply for my Homestead Exemption if eligible.
- ☐ I have scheduled seasonal maintenance.

CHAPTER SUMMARY

Owning a home brings both opportunities and responsibilities.

By staying organized, budgeting for maintenance, understanding your mortgage, and protecting your investment, you can enjoy the benefits of homeownership with greater confidence.

In the next chapter, we'll explore **Building Wealth Through Homeownership**, including equity, refinancing, home equity loans, HELOCs, and long-term financial planning.

WAYNE'S FINAL THOUGHT

> *"A house becomes a home on the day you move in. But it becomes one of your greatest financial assets through years of careful ownership, smart planning, and consistent maintenance."*

CHAPTER 17

Building Wealth Through Homeownership

Understanding Equity, Refinancing, and Your Home's Financial Potential

> *"For many families, their home becomes more than a place to live—it becomes one of their largest financial assets. Understanding how equity works helps you make informed decisions throughout your homeownership journey."*

- — Wayne Wallace

Your Home Is More Than a Place to Live

A home provides shelter, stability, and a place to create memories.

Over time, it may also become an important part of your overall financial picture.

As you make mortgage payments and market conditions change, your ownership interest in the property—known as **equity**—may increase.

Understanding equity can help you make informed decisions about refinancing, renovations, and future financial goals.

What Is Equity?

Equity is generally the difference between:

Current Market Value

- minus

Outstanding Mortgage Balance

Example

Current Market Value:

\$450,000

Mortgage Balance:

\$325,000

Estimated Equity:

\$125,000

Remember:

Market values can increase or decrease over time, so equity is not guaranteed to grow.

How Equity Can Grow

There are several ways homeowners may build equity.

Making Mortgage Payments

With most amortizing mortgages, a portion of each monthly payment reduces the principal balance.

Over time, this gradually increases your ownership interest.

Market Appreciation

If property values increase, your home's market value may also increase.

However, appreciation is never guaranteed.

Real estate markets can rise, remain stable, or decline depending on economic conditions.

Home Improvements

Certain improvements may increase your home's appeal or market value.

Examples include:

- Kitchen remodeling
- Bathroom updates
- Roof replacement
- Energy-efficient improvements
- Flooring upgrades
- Exterior improvements
- Landscaping

Not every renovation increases value equally.

Consider both enjoyment and potential return when planning projects.

> **WAYNE'S TIP**
>
> Before investing in major renovations, think about how long you plan to own the home. Improvements that make your home more enjoyable can be valuable even if they don't produce a dollar-for-dollar increase in resale value.

Paying Extra Toward Principal

Some homeowners choose to make additional principal payments.

Potential benefits may include:

- Paying off the loan sooner
- Reducing total interest paid over the life of the loan
- Building equity faster

Before making extra payments:

Confirm with your loan servicer that additional funds are applied to principal.

Make sure extra mortgage payments fit within your broader financial goals, including emergency savings and retirement planning.

Refinancing

A refinance replaces your existing mortgage with a new loan.

People refinance for many reasons, including:

- Changing the loan term
- Accessing home equity through a cash-out refinance
- Removing a borrower after certain life events (subject to qualifications and legal considerations)
- Converting an adjustable-rate mortgage to a fixed-rate mortgage
- Consolidating certain debts (when appropriate)

Refinancing isn't automatically beneficial.

It should support your long-term financial objectives after considering costs, timing, and your expected time in the home.

Rate-and-Term Refinance

This type of refinance changes one or more loan terms without primarily taking cash out.

Homeowners may refinance to:

- Change the loan length
- Move from an adjustable-rate to a fixed-rate loan
- Achieve another financing objective

Cash-Out Refinance

A cash-out refinance allows qualified homeowners to replace their current mortgage with a larger one and receive the difference in cash.

Common uses include:

- Home improvements
- Debt consolidation
- Education expenses
- Other major financial goals

Cash-out refinances have program-specific requirements.

In Texas, additional constitutional requirements apply to certain cash-out refinances secured by a homestead property.

Discuss these requirements with your lender.

Home Equity Line of Credit (HELOC)

A HELOC allows qualified homeowners to borrow against available home equity through a revolving line of credit.

Unlike a traditional refinance:

You may borrow only what you need (subject to the line limit).

You may be able to reuse available credit as principal is repaid during the draw period, depending on the loan terms.

Common uses include:

- Remodeling
- Emergency expenses
- Educational costs
- Major purchases

As with any credit product, borrow responsibly and understand the repayment terms.

> **MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"My home's value always goes up."*
>
> **REALITY**
>
> Real estate markets fluctuate.
>
> While many homeowners experience appreciation over time, property values can also decline or remain relatively flat depending on local market conditions and broader economic factors.
>
> Homeownership should generally be viewed as a long-term commitment rather than a short-term investment strategy.

Using Equity Wisely

Equity is a valuable financial resource.

Before borrowing against it, ask yourself:

Is this improving my long-term financial position?

Do I have another way to accomplish this goal?

Can I comfortably afford the new payment?

Am I preserving enough financial flexibility?

Borrowing against home equity should be a thoughtful financial decision.

> **REAL STORY**
>
> **FINANCING A KITCHEN REMODEL**
>
> A homeowner wanted to remodel an outdated kitchen before retiring.
>
> After comparing financing options, they chose a home equity solution that aligned with their budget and long-term plans.
>
> The project made the home more enjoyable while allowing them to spread the cost over time.
>
> **Lesson:** Home equity can be a useful financial tool when used strategically and with a clear repayment plan.

Questions to Ask Before Refinancing

What is my primary goal?

What are the closing costs?

How long will it take to recover those costs?

How long do I expect to stay in the home?

Will my monthly payment change?

Are there alternatives that better fit my situation?

Equity Planning Worksheet

- Current Estimated Home Value:
- Current Mortgage Balance:
- Estimated Equity:

Potential Goals:

- ☐ Remodel
- ☐ Debt Consolidation
- ☐ College Expenses
- ☐ Investment Property
- ☐ Emergency Reserve
- ☐ Other:

Questions for My Lender:

CHAPTER SUMMARY

Homeownership can provide opportunities to build equity over time, but equity should be managed thoughtfully.

Whether you're considering paying extra toward your mortgage, refinancing, or accessing home equity, understanding your options helps you make decisions that align with your long-term financial goals.

In the next chapter, we'll explore **the most common homebuying and homeownership mistakes**—and, more importantly, how to avoid them.

WAYNE'S FINAL THOUGHT

> *"Your home isn't just where life happens. For many families, it's also an important part of their long-term financial plan. Understanding your options helps you make decisions with confidence rather than reacting to headlines or short-term market changes."*

CHAPTER 18

Avoiding Common Homebuying Mistakes

Simple Decisions That Can Save Time, Money, and Stress

> *"Most mortgage problems aren't caused by bad luck—they're caused by small decisions made without realizing their impact. The good news is that most of these mistakes are entirely avoidable."*

- — Wayne Wallace

Every Buyer Makes Mistakes...

Buying a home is exciting, and it's natural to feel overwhelmed at times.

The good news?

Many of the most common mistakes can be avoided with preparation, communication, and a willingness to ask questions.

Let's look at the ones I see most often after more than two decades in mortgage lending.

Mistake #1

Waiting Too Long to Get Pre-Approved

Some buyers spend months looking at homes before speaking with a lender.

Unfortunately, they may discover:

Their budget is different than expected.

They qualify for more—or less—than they thought.

They need additional documentation.

A credit issue could have been addressed earlier.

Better Approach

Talk with a lender before seriously shopping for homes.

A pre-approval provides clarity and helps you shop with confidence.

Mistake #2

Opening New Credit Before Closing

This is one of the most common causes of unexpected loan delays.

Examples include:

- Financing furniture
- Buying a new vehicle
- Opening a new credit card
- Cosigning for a family member

Even if you can comfortably afford the new payment, it may affect your mortgage qualification.

Better Approach

Talk with your lender before taking on any new debt while your loan is in process.

> **WAYNE'S TIP**
>
> If you're wondering whether a financial decision could affect your loan, call your lender before making it. A five-minute conversation can prevent weeks of delays.

Mistake #3

Making Large Unexplained Deposits

Mortgage guidelines often require lenders to verify certain deposits.

Common examples include:

- Selling personal property
- Cash deposits
- Gifts from family
- Transfers between accounts

Without proper documentation, additional questions may arise.

Better Approach

Keep records and discuss significant deposits with your lender in advance.

Mistake #4

Changing Jobs Without Discussing It

Changing jobs doesn't automatically prevent you from getting a mortgage.

However, employment changes can affect underwriting depending on the circumstances.

Better Approach

If you're considering changing employers, changing pay structures, or becoming self-employed, discuss it with your lender first.

Mistake #5

Shopping at the Top of Your Budget

Just because you're approved for a certain amount doesn't mean you should spend that amount.

Remember to consider:

- Future maintenance
- Childcare
- Retirement savings

- Vacations
- College savings
- Emergency expenses

Buying below your maximum approval amount may provide greater financial flexibility.

> **⚖ MORTGAGE MYTH vs. REALITY**
>
> **MYTH**
>
> *"If the lender approves me, I can comfortably afford that payment."*
>
> **REALITY**
>
> Mortgage approval is based on lending guidelines. Your personal comfort level should also consider your lifestyle, financial goals, and future plans.

Mistake #6

Skipping the Home Inspection

Some buyers waive inspections to make their offer more competitive.

While every market is different, understanding a property's condition before closing can be extremely valuable.

Better Approach

Discuss inspection strategies with your Realtor and understand the risks before making that decision.

Mistake #7

Not Budgeting for Homeownership

Many first-time buyers focus only on the mortgage payment.

They forget about:

- Lawn equipment
- Repairs
- Utilities
- Furniture
- Maintenance
- Property taxes
- Insurance changes

Successful homeowners plan for both expected and unexpected expenses.

Mistake #8

Ignoring the Loan Estimate

Some buyers never review their Loan Estimate carefully.

Later, they become surprised by closing costs or payment details.

Better Approach

Read every page.

Ask questions.

Understanding your loan is just as important as qualifying for it.

Mistake #9

Missing Deadlines

Home purchases involve many important dates.

Examples include:

- Earnest money
- Option period
- Financing deadlines
- Inspection timelines
- Insurance requirements
- Closing appointment

Missing deadlines can create unnecessary complications.

Mistake #10

Not Asking Questions

Many buyers worry about asking "basic" questions.

The truth is...

There are no basic questions when you're making one of the largest financial decisions of your life.

A good lender and Realtor welcome questions.

☑ **REAL STORY**

ONE SMALL PURCHASE...

A buyer found the perfect living room furniture during a holiday sale.

They financed the purchase before closing because the monthly payment seemed manageable.

Unfortunately, the additional debt changed their qualifying ratios enough that underwriting required additional review.

Closing was delayed while the updated information was evaluated.

Lesson: Waiting until after closing to finance major purchases can help keep your mortgage process on track.

The Top 10 Things to Avoid Before Closing

- ✖ Opening new credit accounts
- ✖ Financing furniture or appliances

- ❌ Buying a vehicle
- ❌ Cosigning for loans
- ❌ Missing bill payments
- ❌ Making unexplained deposits
- ❌ Changing jobs without discussing it
- ❌ Moving money between accounts without documentation
- ❌ Ignoring requests from your lender
- ❌ Assuming instead of asking

Homebuyer's Success Checklist

- ☐ I obtained a pre-approval early.
- ☐ I avoided new debt during the loan process.
- ☐ I documented large deposits.
- ☐ I reviewed my Loan Estimate.
- ☐ I kept in regular contact with my lender.
- ☐ I attended the inspection.
- ☐ I understood my contract deadlines.
- ☐ I asked questions whenever I was uncertain.

CHAPTER SUMMARY

Most homebuying challenges can be avoided through communication, preparation, and understanding the mortgage process.

Small decisions often have a much bigger impact than buyers realize.

Working closely with experienced professionals and asking questions early can help keep your transaction moving toward a successful closing.

In the next chapter, we'll answer many of the questions buyers ask most often in a comprehensive **Frequently Asked Questions** section.

WAYNE'S FINAL THOUGHT

> *"After helping thousands of buyers over the years, I've learned that successful transactions aren't about luck. They're about preparation, communication, and making informed decisions one step at a time."*

CHAPTER 19

Frequently Asked Questions

Answers to the Questions Homebuyers Ask Most Often

> *"There's no such thing as a silly mortgage question. If you're wondering about it, chances are someone else is too."*

- — Wayne Wallace

General Homebuying Questions

How much home can I afford?

Affordability depends on several factors, including:

- Income
- Monthly debts
- Credit profile
- Available savings
- Down payment
- Property taxes
- Homeowners insurance
- Loan program

Rather than focusing only on the maximum amount you qualify for, consider a monthly payment that comfortably fits your overall financial goals.

How long does the mortgage process usually take?

Every transaction is unique.

The timeline depends on:

- Loan program
- Property
- Appraisal timing
- Title work
- Documentation
- Contract deadlines

Your lender and Realtor can provide a more accurate estimate based on your transaction.

Should I get pre-qualified or pre-approved?

While both can be helpful, a **pre-approval** generally involves a more thorough review of your financial information and may provide a stronger foundation when making an offer.

Many sellers view a pre-approved buyer as being further along in the financing process.

Credit Questions

What credit score do I need?

There isn't one universal minimum score.

Different loan programs and lenders have different requirements.

Your overall financial profile—including income, assets, and debt—is also important.

Will checking my credit hurt my score?

Checking your own credit report generally does not have the same effect as applying for new credit.

When shopping for a mortgage, many credit scoring models recognize that consumers compare lenders and may treat multiple mortgage inquiries within a designated shopping period as a single inquiry.

Should I pay off all my debt before buying?

Not necessarily.

Sometimes paying off a small monthly obligation improves your qualification more than paying down a larger balance.

Before making significant financial changes, discuss your options with your lender.

Down Payment Questions

Do I really need 20% down?

No.

Depending on the loan program and your qualifications, some buyers purchase with substantially less.

Your lender can explain the options available based on your situation.

Can my family help with my down payment?

Many loan programs permit eligible gift funds.

Documentation requirements apply, so let your lender know early if family members plan to help.

Loan Program Questions

What's the difference between Conventional and FHA?

Generally speaking:

Conventional Loans

May offer lower long-term costs for some borrowers.

Often have more flexible mortgage insurance removal options.

May require stronger credit profiles depending on the program.

FHA Loans

May provide more flexible qualification guidelines for some borrowers.

Require mortgage insurance under FHA rules.

Can be a valuable option depending on a borrower's circumstances.

There is no universally "better" program.

What is a VA loan?

VA loans are available to eligible veterans, active-duty service members, certain National Guard and Reserve members, and some surviving spouses.

Potential benefits include:

- No down payment for eligible borrowers
- No monthly mortgage insurance
- Competitive financing options

Eligibility requirements apply.

What is USDA financing?

USDA loans help promote homeownership in eligible rural and certain suburban communities.

Qualified borrowers may be able to purchase with no down payment, subject to program guidelines.

Closing Questions

What are closing costs?

Closing costs include various expenses associated with purchasing a home, such as:

- Lender charges
- Title services
- Government recording fees
- Appraisal
- Prepaid taxes
- Homeowners insurance
- Escrow funding

Your lender will provide estimates and final figures before closing.

What should I avoid before closing?

Avoid:

- Opening new credit
- Financing major purchases
- Changing jobs without discussing it
- Missing bill payments
- Making unexplained deposits
- Moving money without documentation

When in doubt, ask your lender before making financial changes.

Inspection Questions

Should I attend the inspection?

If possible, yes.

Walking through the home with the inspector provides an opportunity to ask questions and better understand the property's systems and maintenance needs.

Does every inspection find problems?

Almost every home has inspection findings.

Many involve routine maintenance rather than major defects.

The goal is to understand the property's condition—not to expect perfection.

Appraisal Questions

What happens if the appraisal comes in low?

A low appraisal doesn't automatically end the transaction.

Depending on the situation, buyers and sellers may negotiate or explore other options consistent with the contract and lender requirements.

Is the appraisal the same as the inspection?

No.

An appraisal estimates market value.

An inspection evaluates the property's condition.

They serve different purposes.

Homeownership Questions

Can I pay extra toward my mortgage?

Many mortgages allow additional principal payments.

Before doing so, confirm with your loan servicer how extra payments are applied and make sure this strategy fits your broader financial goals.

When should I refinance?

There isn't one universal answer.

Refinancing may make sense when it supports your financial objectives after considering:

- Closing costs
- Loan term
- Monthly payment
- Time you expect to remain in the home
- Overall financial goals

What is a HELOC?

A Home Equity Line of Credit allows qualified homeowners to borrow against available equity.

Common uses include:

- Home improvements
- Education expenses
- Emergency costs
- Other major financial needs

Borrow responsibly and understand the repayment terms.

Texas Questions

What is a Homestead Exemption?

A Homestead Exemption may reduce the taxable value of your primary residence and provide other protections under Texas law.

Eligible homeowners generally need to apply through their county appraisal district because the exemption is not automatic.

Does Texas have state income tax?

Texas does not have a state income tax.

However, property taxes are an important part of homeownership and should be considered when budgeting.

Quick Answers

Can I use gift funds?\ Often, yes—depending on the loan program and documentation requirements.

Should I keep my job during the loan process?\ If possible, avoid employment changes without discussing them with your lender.

Should I finance furniture before closing?\ Generally, it's better to wait until after closing unless you've confirmed the impact with your lender.

Should I compare lenders?\ Yes. Compare more than just interest rates. Consider communication, experience, loan options, responsiveness, and the overall financing strategy.

Wayne's Top Five Questions to Ask Any Lender

Before choosing a mortgage, ask:

Which loan programs best fit my goals?

What will my estimated monthly payment include?

Approximately how much cash should I expect to bring to closing?

What could delay my closing, and how can we avoid it?

How will you communicate with me throughout the process?

These questions can help you compare lenders based on service and guidance—not just pricing.

CHAPTER SUMMARY

Buying a home naturally comes with questions.

The more you understand the process, the more confident you'll feel making important financial decisions.

Remember, every transaction is unique. Your lender and Realtor are there to help explain how these concepts apply to your specific situation.

WAYNE'S FINAL THOUGHT

> *"The best borrowers aren't the ones who already know everything. They're the ones who ask questions, stay engaged, and make informed decisions throughout the process."*

SCAN TO CONTINUE ONLINE

Still Have Questions?

Schedule a free, no-pressure 30-minute consultation.

wayne-wallace.com/schedule

CHAPTER 20

Your Homebuying Action Plan

Turning Knowledge Into Action

> *"The difference between dreaming about homeownership and achieving it is having a plan. Every successful homeowner started exactly where you are today—with a first step."*

- — Wayne Wallace

You've Made It!

- Congratulations on completing **The Ultimate Texas Homebuyer's Guide.**

Whether you're ready to buy next month or next year, you've accomplished something many buyers never do:

You've taken the time to educate yourself before making one of the largest financial decisions of your life.

Knowledge doesn't guarantee success.

But it helps you make better decisions.

And better decisions often lead to better outcomes.

Your Personalized Roadmap

Every buyer begins in a different place.

Find the description below that best fits where you are today.

If You're Buying Within 30 Days

Your Priorities

- ✓ Meet with a lender
- ✓ Obtain a full pre-approval
- ✓ Choose a Realtor
- ✓ Determine your budget
- ✓ Gather financial documents
- ✓ Begin touring homes
- ✓ Avoid new debt

If You're Buying Within 3--6 Months

Focus on preparation.

Review your:

- Credit
- Savings
- Employment stability
- Debt levels

Create a monthly savings goal.

Avoid unnecessary credit inquiries.

If You're Buying Next Year

Now is the perfect time to prepare.

Build your financial foundation by:

- Improving credit habits
- Paying bills on time
- Reducing revolving debt
- Saving consistently
- Learning about mortgage programs
- Following your local housing market

Preparation today often creates more opportunities tomorrow.

> **WAYNE'S TIP**
>
> The best time to talk with a lender isn't when you're ready to buy. It's when you're ready to create a plan.

Your 90-Day Homebuyer Checklist

Month One

- ☐ Review credit.
- ☐ Create a budget.
- ☐ Start saving.
- ☐ Organize financial documents.
- ☐ Learn about loan programs.

Month Two

- ☐ Meet with a lender.
- ☐ Discuss loan options.
- ☐ Estimate monthly payment.
- ☐ Ask questions.
- ☐ Review your buying timeline.

Month Three

- ☐ Obtain pre-approval.
- ☐ Select a Realtor.
- ☐ Begin viewing homes.

- ☐ Stay financially consistent.
- ☐ Prepare to make an offer.

Your Homebuying Document Checklist

You'll likely need:

- Identification
- ☐ Driver's License
- ☐ Social Security Number
- Income
- ☐ Pay Stubs
- ☐ W-2s
- ☐ Tax Returns (when applicable)
- ☐ Business Returns (if self-employed)
- Assets
- ☐ Bank Statements
- ☐ Investment Statements
- ☐ Retirement Statements (when applicable)
- Housing
- ☐ Current Mortgage Statement (if applicable)
- ☐ Landlord Information (if applicable)
- Other
- ☐ Divorce Decree (if applicable)
- ☐ Bankruptcy Documents (if applicable)
- ☐ Gift Fund Documentation (if applicable)

Requirements vary by loan program and individual circumstances.

Mortgage Glossary

Amortization

The gradual repayment of a loan through scheduled payments of principal and interest.

Appraisal

An independent opinion of a property's market value.

Closing Disclosure (CD)

The document showing the final loan terms and closing costs.

Closing Costs

Expenses associated with completing a real estate transaction.

Debt-to-Income Ratio (DTI)

A comparison of monthly debt obligations to qualifying monthly income.

Earnest Money

A deposit demonstrating a buyer's serious intent to purchase.

Equity

The difference between your home's market value and the amount owed on the mortgage.

Escrow

An account used to collect funds for future payment of property taxes, homeowners insurance, and certain other obligations when required.

FHA

Federal Housing Administration.

A government agency that insures certain mortgage loans.

HELOC

Home Equity Line of Credit.

A revolving line of credit secured by home equity.

Loan Estimate (LE)

An estimate of loan terms and closing costs provided early in the mortgage process.

Mortgage Insurance

Insurance that protects the lender—not the borrower—against certain losses if the loan defaults.

PMI

Private Mortgage Insurance required on some conventional loans with lower down payments.

Principal

The amount borrowed—not including interest.

Underwriting

The lender's review of the borrower's financial profile and the property's eligibility to determine whether the loan meets applicable guidelines.

VA Loan

A mortgage program available to eligible veterans, active-duty service members, and certain other qualified borrowers.

USDA Loan

A mortgage program designed to encourage homeownership in eligible rural and certain suburban areas.

Resources

Government & Nonprofit Resources

AnnualCreditReport.com (free credit reports)https://www.annualcreditreport.com
HUD-Approved Housing Counseling (find one near you)https://www.hud.gov/findacounselor —
or CFPB's version: https://www.consumerfinance.gov/find-a-housing-counselor/
Consumer Financial Protection Bureau (CFPB)https://www.consumerfinance.gov
Texas State Affordable Housing Corporation (TSAHC)https://www.tsahc.org
Texas Department of Housing and Community Affairs (TDHCA)https://www.tdhca.state.tx.us

County Appraisal Districts (homestead exemption)Varies by county — since your book covers North Texas specifically, here are the ones your readers will actually need:

- Collin County: https://collincad.org (homestead exemption page: https://collincad.org/residential-homestead-exemption/)
- Denton County: https://www.dentoncad.com (exemptions: https://www.dentoncad.com/homestead-exemptions)
- Grayson County: https://www.graysonappraisal.org
- Dallas County: https://www.dallascad.org

Your Questions

Use this page to write down questions before meeting with your lender.

About the Author

Wayne Wallace has helped Texas families achieve homeownership since 1999.

As Senior Vice President of Mortgage Solutions with Homewood Mortgage, LLC, Wayne works with first-time buyers, move-up buyers, veterans, investors, retirees, physicians, self-employed borrowers, and homeowners throughout Texas.

His philosophy is simple:

Education first.

When buyers understand the mortgage process, they make better financial decisions.

Let's Build Your Plan

Buying a home doesn't start with an application.

It starts with a conversation.

Whether you're:

- Buying your first home
- Moving up
- Downsizing
- Building a custom home
- Purchasing an investment property
- Refinancing
- Exploring home equity options

I'm here to help you understand your options and develop a plan that fits your goals.

No pressure.

No obligation.

Just honest answers and professional guidance.

Connect With Wayne Wallace

Wayne Wallace

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NMLS #745186 | Homewood Mortgage, LLC — Company NMLS #294974

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Apply Online	Schedule a Call	Leave a Google Review
wayne-wallace.com/apply	wayne-wallace.com/schedule	g.page/r/CdolTW8kHrINEBM

Follow along: YouTube @WayneWallaceMortgage | Threads @wayne_wallace.lo

Final Thoughts

If you've read this guide from beginning to end, you've already done something that puts you ahead of many buyers.

You've invested time in understanding the process before making one of life's biggest financial decisions.

Whether you buy next month or next year, I hope this guide becomes a trusted resource you return to whenever you have questions.

Remember:

Ask questions.

Build a strong team.

Make informed decisions.

Buy when **you** are financially ready—not when someone else tells you the timing is perfect.

Homeownership is about more than a mortgage.

It's about building a place where life happens.

Thank you for allowing me to be part of your journey.

I wish you every success as you take the next step toward homeownership.

— Wayne Wallace

Ready for your next step?

No pressure. No obligation. Just honest answers.

Scan to apply online — wayne-wallace.com/apply

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