Do you want to know how a 19-year-old bought a house? Well, you have come to the right place! My name is Sam and I recently went through the home-buying process for the first time back in March. It can be a difficult and exhausting process, so I have decided to share my story, as well as a few tips from the experts so you know what to expect, whether you are a new to the process or a seasoned home-buyer.

It's nice to meet you!

Before we get into my story, allow me to introduce myself! I am a Senior MSR here at NCCYou, and have worked here for nearly two years. Growing up, I did anything you could do to make money; Babysat, took on odd jobs at businesses of family friends, painted, sold arts and crafts, washed cars, opened lemonade stands, sold my things at garage sales – you name it, I did it. What was I doing with all that money? Well, I was saving it. With no set goal to reach in mind,, at a young age I knew it was good to have a nest egg in savings and the power that held over my future. I would spend hours counting my money, and loved the feeling I would get from reading the balance on my receipts after depositing it at my local credit union. I don't think it was a surprise to anyone when I decided to work in finance after graduating high school.

Sam and Drake's dogs, Atlas and Apollo

Our Home Buying Story

In the beginning of 2021, my partner and I decided it was time to start looking at homes for sale in the Duluth area. After more than our fair share of renting horror stories, it was time for a fresh start.

The first thing we did was sit down and review our budget to see how much house we could afford. We wanted to keep our monthly expenses equal to or below what we were currently spending on housing, which was about 20% of our total monthly budget. Once we figured out what would fit in our budget, we used a mortgage calculator to calculate what our price-point would be. Servion offers a variety of helpful calculators, including a mortgage calculator that you can find here.

We then reached out to a real estate agent we knew. He was very knowledgeable on the process, and guided us through what our next steps were. He also helped us figure out what we were looking for in a property.

It was after this that we reached out to Cara, our very-own mortgage specialist here at NCCYou! In order to complete our application, we had to get a number of things to her, and boy, had we been a little (lot) more organized and prepared, this process would have been a lot smoother.

Learning from our experience, this goes a lot more quickly when these documents are in order.

Once we made it through the application process, Cara got us in contact with a Mortgage Loan Officer, who told us what we were approved for. We ended up being approved for much more than what we had fit into our monthly budget.

Because loan officers calculate the amount you are pre-approved for by calculating your debt to income, it doesn't take into mind your other financial obligations, like car insurance, food and utility expenses, etc. so it is always a good idea to find an amount that will work with you and your budget rather than simply going off of the amount you are preapproved for.

This is where the fun began! I began spending my free time on Zillow looking for homes that would work for us, and after looking at quite a few, we came upon *"the house".* It was perfect, and we fell in love. On the outskirts of Duluth, a little three bed two bath in need of a little TLC was sitting on just under two acres. It even had recently gone down in price due to it sitting on the market for a while, so our agent set up a showing asap. We left the showing already planning out how we would decorate and upgrade it. We didn't just want the house, we were attached.

As quickly as we could, our real estate agent helped us create an offer to send to them. The seller, the bank that owned the home, sent a counteroffer back. While not the best news, we were excited that they wanted to work with us and were hopeful that the terms would only have minor changes. Unfortunately, after reading what they were requesting us to change, it seemed like our dream of getting the house was crushed.

When the home was foreclosed on, the bank that owned it conducted an inspection, and concluded that there was some sort of problem with the well. With winter coming, they winterized the property and refused to allow anyone to test or inspect the water system. With our conventional loan, there was no way we were going to be able to buy it without testing the well system. In fact, the seller wanted us to change our loan type to something called a rehab loan, which is a loan that lends you money to both purchase and make improvements on the home. You need a 20% downpayment on this type of loan, and with the home already being at the top of our budget, this was just not going to work. Devastated, we rejected the offer.

We continued on the search for a home. While there were some houses that we adored, there was always issues or things about it that told us "This is not the house for us"; Whether it be the yard being too small, no garage, too many renovations, not enough privacy, etc., we were having trouble finding another house like the one we had initially fell in love with. It was very disheartening, and for those who have been through the process before, I am sure the feeling that you are never going to find a home feels familiar. We were creeping closer to the end of our lease with our landlords, and we were growing dismayed by the prospect of having to rent for another year.

About 3 weeks after the initial offer, I went on to Zillow only to see a pretty major price drop in the foreclosed home we had become attached to. The bank wanted it sold; it just sitting there empty was a liability. We jumped. I talked with Cara, our mortgage specialist, and she said that she knew the perfect person to help. A lending officer that specializes in foreclosures and rehab loans from Compeer Financial.

Our lender was able to walk us through a rehab loan, and how it works. Because it was a foreclosure and not a typical selling situation, it was being sold much lower than the actual price of the home. If it got appraised at a higher price than it was listed, we would be able to use the equity in the home to do all repairs that need to be done, namely, addressing the well issue. It seemed too good to be true! We submitted a new offer, which ended up being accepted!

A few weeks later, we had it inspected and appraised. Beyond the well issue, we were looking at a lack of insulation in the attic, some minor foundational shifts, and some other minor issues. Nothing major, most of it is expected in an older home. The appraisal, however, did not go as planned. It came back just above what we were paying for it, which is much less than what we were hoping for. In fact, the numbers were so bad that this house actually had decreased in value while all the other homes in the area were skyrocketing in price. It didn't make much sense, to us or our lenders. We weren't sure what this meant for us.

Crunching the numbers, a rehab loan would no longer be the best option, even with the well needing repair. We held out hope for a solution, and our lender was able to provide one. Rather than the rehab loan, we were going to switch our loan type back to conventional and put money into escrow to cover the cost of repairing the well. Once we ensured that the sellers were okay with it, the rest of the closing process went smoothly, and we waited in anticipation as the closing date crept closer.

During this time, we were careful about what we did with our money and credit. We did not apply for any credit or loans, as well as monitored our credit and didn't make any big purchases at this time. While it is exciting to plan what you want in your new house, buying or financing anything prior to closing on your home can cause issues with your loan approval. Make sure to check in with your lender if you have any questions about whether something will affect your approval status.

The closing date itself was like waiting to open presents on Christmas morning. We went to the title company, and spent about 45 minutes signing paperwork before getting the keys. It was a very surreal moment being handed the keys to your home for the first time. In fact, it was quite anti-climactic. Not that I was expecting the heavens to open up and shine down on us as the keys were handed to us or anything, but it just felt so… simple. For months our lives revolved around all the things that go into buying a home, and just like that, it was over. We were officially homeowners. And that adventure was just starting.

So, What did I learn?

We were brand new to the home-buying process, so naturally, there were many things that we could have done better. We got through it without major hiccups on our end, but here are a few things I wish I had done to both reduce stress and avoid delays

1. **Be Organized**: Organization skills can always be improved on, but by not having all the documents ready to send over when we were going through the approval process, it took a lot longer and held up the process quite a bit. To ease stress and prevent delays, make sure to get the documents ready prior to applying

2. **Don't get emotionally attached:** There will ALWAYS be houses out there. In our case, everything did work out, but there was a lot more added stress for us because it was hard to imagine us in any other house - we were emotionally attached to something that was not yet ours.The truth is, while I love my home, it is just that, and while things happen all the time that makes the deal fall through, there will always be another home that will fit you and your lifestyle

3. **Don't Panic!** There is a lot of stress that comes with the home buying process. I am a perfectionist, and when things don't go as planned, it is hard for me to stay level-headed. There are a lot of outside factors that are simply out of your control, and practicing good stress management can really help. For me, yoga and walking my dogs does wonders.

Tips from the Experts:

1. **Information the lender needs in order to get prequalified**:
   - A copy of a current driver's license or ID
   - Last two years of W2 statements from your employer
   - Last 30 days worth of pay stubs
   - Last two months' statements of checking and savings accounts
   - Current Property tax statement
   - Current hazard insurance declarations page
   - Current mortgage statement

2. **Don't apply for or take out out new lines of credit**

New credit and loan applications can negatively affect your credit score. This can cause a higher interest rate on your mortgage, or lead to your application being denied.

3. **Continue to Use Your Credit Cards Normally**

The general rule of thumb is to utilize under 30% of your credit limit. Anything more and you risk negatively affecting your credit score. Don't use your card to make big purchases right before or during the loan application process.

4. **Keep working at your current employer**

History with an employer helps show that you have steady income and have the ability to afford to make loan payments. It can be easier to get approved when you have been with the same employer for at least two years, although this is not as big of a factor as your debt to income ratio or low credit scores.

5. **Don't sign up for things that require credit**

Signing up for things like gym memberships or opening a new cell phone account requires your credit report to be pulled. Financing items like furniture also can negatively affect your credit score. If you aren't sure if a purchase will affect your credit, make sure to check in with your lender.

Servion's tips for a smooth loan approval:
By following these tips, you can help prevent delays in the loan process after submitting your application.

Do:

- Continue to make your mortgage or rent payments on time
- Stay current on all existing accounts
- Keep working at your current employer
- Keep your same insurance company
- Continue living at your current residence
- Continue to use your credit as normal

Don't

- Make any major purchases
- Apply for or open a new line of credit
- Change jobs without first informing your lender
- Transfer any balances from one account to another
- Pay off any charge offs before notifying your lender first
- Close any credit card accounts
- Buy any furniture on credit
- Max out or overcharge your credit card accounts
- Consolidate your debt onto credit cards
- Take out a new loan or start any home improvement projects
- Open a new cell phone account
- Join a new fitness center or gym
- Pay off any loans or credit cards without notifying your lender first