

# First-Time Home Buyer's Guide

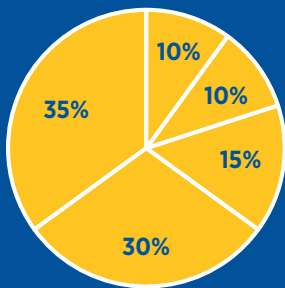
Your step-by-step guide to a stress-free buying experience.





# Ten simple steps to the home of your dreams.

*Buying your first home is a major investment. But it doesn't have to be a major headache. By working with your Old National Bank mortgage loan officer and arming yourself with the information in this guide, you can create a rewarding, stress-free home buying process.*



## What determines your FICO Score?

Your FICO Score is the standard formula used to evaluate your credit history. For more information, consult an Old National mortgage specialist or log on to [myfico.com](https://myfico.com).

- 35%** Payment history
- 30%** Amount of money owed
- 15%** Length of credit history
- 10%** Credit types
- 10%** New credit



## 1 | Determine what you can afford.

As a general rule, your mortgage payment (including taxes, insurance and association fees) should not exceed 28% of your gross monthly income or 43% of your total monthly debt. But there are many factors that affect these percentages, so your best approach is to work with a mortgage loan officer to determine how much you can afford.

## 2 | Choose a mortgage that fits.

Your Old National mortgage loan officer will help you choose the mortgage that best suits your needs. Multiple mortgage varieties are available—from loans specifically designed for entry level buyers—to jumbo and construction loans.

The mortgage you choose impacts how much home you can afford and whether you have to pay Private Mortgage Insurance (PMI), which is normally required when the down payment is less than 20%. A mortgage loan officer can help you understand the benefits of your options and select the right solution for your life and budget.

### Need help with your down payment?

Homeownership assistance programs are available with many of our mortgage loans. These programs vary by state, so check with your Old National mortgage expert for details about what will work best for you.

## 3 | Get pre-qualified.

Your mortgage loan officer can pre-qualify you for a home loan before you start looking for homes. They will help you determine what type of home loans best suit your situation, and will describe the features and benefits associated with each mortgage option. The process is quick and easy, with an answer in minutes. Once you are pre-qualified for a mortgage:

- Your spending limit is clearly defined
- You're a more attractive buyer to sellers
- You'll have increased bargaining power

## 4 | Work with a real estate professional.

Now that you have been pre-qualified, you're ready to hire a real estate professional. If possible, have your agent sign a buyer's agent contract. You want someone who works for you so signing a buyer's agency agreement is critical.

How do you find a good real estate agent? Ask around and don't be afraid to talk to more than one. Are they experts in what you want and need? Will they guide you through the process? Do they listen? Your Old National mortgage loan officer may be able to provide you with some names of local real estate agents to get you started.

## 5 | Define your dream neighborhood.

How important is it to be near a good school? What about commute time to work or shopping? Do you mind a bustling neighborhood, or do you prefer privacy? It's difficult to find everything you desire, so it's crucial to prioritize.

## 6 | Define your dream home.

Do you prefer a two-story or a ranch? Can you make do without a garage? And if you're shopping as a couple, are you really in agreement? It's rare to find a house that has everything you want, so a smart approach is to make a list of "must-haves" and "like-to-haves."

## 7 | Know what you're looking for.

When you're touring prospective homes, don't get sidetracked by paint color, wallpaper patterns, decorations and furniture. Instead, focus on things that cannot be easily or inexpensively changed, like:

- The floor plan—Make sure it's what you want.
- Heating, AC and electrical systems
- The ceiling—Look for dips, cracks and water stains.
- The roof line and condition of the roof
- Closets, cabinets and attic space
- The yard—Does it slope away from the house?

## 8 | Make an offer.

Your real estate professional can help you understand conditions in your market (are homes selling quickly or slowly?), along with comparable properties in the area to help you determine an appropriate dollar figure for your initial offer. Your buyer's agent will negotiate on your behalf. Negotiations are part of the process and a good buyer's agent will help you get the best deal possible.

## 9 | Prepare to close.

Now that you have an accepted offer, there are several things you'll need to do.

- **Get organized**—Gather all materials you need for final loan approval including signed purchase agreement and supporting income and asset documents.
- **Obtain an appraisal**—Your mortgage lender is responsible for selecting the qualified individual for completing the report and will take care of the appraisal request. You will be responsible for paying the associated fees.
- **Hire a home inspector**—No matter how much you love a house, you need an expert to help you determine what you need to save for future maintenance issues like replacing a roof or water heater. A licensed home inspector is trained to look for things you might miss or can't see—like faulty wiring or building code violations. An inspection might cost you several hundred dollars up front, but can help you avoid a much more costly mistake.
- **Purchase homeowner's insurance**—You will need to provide proof that you have properly insured the home.
- **Prepare for fees**—At closing, you may be responsible for certain closing cost and fees associated with the buyer unless negotiated in your Purchase Agreement to be paid by the seller. Depending on your state's requirements, you'll need to use a certified check or wire transfer for these fees along with any applicable down payment. Your mortgage loan officer will help you determine the dollar figure and method of payment.

## 10 | Close!

Generally, you—along with the seller, realtors and your ONB Mortgage Loan Officer—will gather at a closing company. You will sign documents and provide your down payment and closing cost funds. When all of the documents have been signed, and all funds have been properly distributed, the deed of ownership and keys will be transferred to you!



**Together, we can unlock  
the home of your dreams.**

Visit [oldnational.com/mortgage](https://oldnational.com/mortgage)  
for a list of Old National mortgage  
experts in your area, or call  
800-276-5529.

## Adjustable Rate Mortgage (ARM)

The interest rate on this mortgage fluctuates up or down according to an index and a margin agreed to in advance by the borrower and lender. In most cases, there are limits to the amount of change that can be made to the interest rate.

## Amount Financed

Principal amount of your loan, less the amount of any origination fee and other pre-paid charges.

## Annual Percentage Rate (APR)

The cost of credit as a yearly rate. The annual percentage rate includes the effect of the origination fee and any other pre-paid finance charges paid in connection with your loan.

## Appraisal

A report made by a qualified person (appraiser) that gives an opinion or estimate of a property's value.

## Credit Report

A report made by one of three large credit reporting agencies, giving your credit history. It typically states if you have any delinquent payments, any failure to pay, as well as any bankruptcies, foreclosures or other legal proceedings. Your credit report typically includes your FICO score.

## Escrow

Funds the borrower pays to the lender on a monthly basis to hold until the occurrence of a specified event. Funds in escrow cover yearly expenditures such as mortgage insurance premiums, taxes, hazard insurance premiums and special assessments.

## Finance Charge

Total dollar amount your loan will cost, including all interest payments during the term of the loan, any interim interest paid at closing, any origination fee and any other pre-paid charges.

## Hazard Insurance

Commonly called homeowner's insurance. This is a required policy, obtained from an insurance company, that protects the insured from specified losses, such as fire, windstorm, vandalism and the like.

## Interim Interest

Interest paid at closing, which includes interest on your loan from the date of closing to the first day of the following month.

## Loan-To-Value (LTV)

The ratio of the amount of your loan to the value of the home you will purchase. For example, if you purchase a property valued at \$100,000 and borrow \$75,000 to finance it, your loan-to-value (LTV) is 75%.

## Mortgage

A legal document that pledges a property as security for a loan. It secures a note by pledging property as collateral and establishes rights and procedures to protect the lender in case the borrower defaults.

## Note

A promise to repay the mortgage. It contains information on the interest rate, timing and amount of payments, late charges, rights of the lender in case of default and obligations of the borrower. The note is secured by a mortgage to protect the lender in the event of a loss.

## Origination Fee

A fee paid by the borrower to obtain a mortgage. The origination fee is paid to the lender and is sometimes referred to as points.

## PITI

An acronym for principal, interest, taxes and insurance. These are the major components that go into determining the monthly payment on a mortgage.

## Pre-Paid

Finance charges that are pre-paid. Items considered pre-paid include but are not limited to: interest-to-date (this is interest collected at closing covering the period from the closing date to the first day of the following month), origination fees, discount points and all required insurance premiums as applicable (Private Mortgage Insurance, FHA Mortgage Insurance Premium, VA Funding Fee).

## Private Mortgage Insurance (PMI)

An insurance policy the borrower buys to protect the lender from non-payment of the loan. PMI is normally required when the down payment is less than 20%. PMI is referred to as MIP if speaking of a government loan.

## Point

One point is equal to 1% of the loan amount.

## Qualifying Ratios

The ratio of your fixed monthly expenses to your gross monthly income, used to determine affordability. Specifically, two qualifying ratios are commonly used. First, the ratio of your housing-related expense (PITI) to your income, and second, the ratio of your total debt payments to your income.

## Title Insurance Policy

A contract issued by a title insurance company to the lender on a specific property to cover loss caused by title defects. An owner's policy may be purchased as well, but is not required by the lender.