2026 EDITION

# TEXAS
# Homebuyer's Resource Guide

*Your Complete Roadmap to Homeownership*

Throughout Texas — rooted in Kerrville, San Antonio & the Texas Hill Country


## CHET HEARN

Senior Mortgage Advisor




Coast2Coast MORTGAGE LENDING®


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## Texas Homebuyer’s Resource Guide: Your Complete Roadmap to Homeownership

2026 Edition

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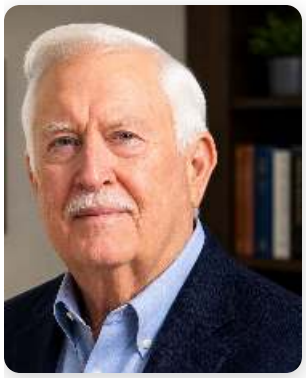
# ABOUT THE AUTHOR



## Chet Hearn

**Senior Mortgage Advisor, Coast2Coast Mortgage**
**NMLS #1931461**

Chet Hearn has seen homebuying from nearly every angle: as a real estate agent, a homebuilder, a brokerage owner, and a community bank director. Today, as a Senior Mortgage Advisor with Coast2Coast Mortgage, he puts that experience to work for buyers throughout Texas.

Because Coast2Coast is a wholesale mortgage broker, Chet compares loan programs across a wide network of lenders to find the one that fits your goals, rather than offering a single bank's products. He processes his own loans in-house, so you work with the same person from your first question to closing day.

His approach is simple: answer every question clearly, explain your options honestly, and never pressure anyone into a decision. Call or text anytime, apply online, or ask his AI assistant, Ashley, for quick answers around the clock.

A U.S. Army veteran, Chet takes particular pride in helping fellow veterans use the VA home loan benefit they earned. He's based in Kerrville and serves buyers throughout Texas.

***Get in Touch***

*Call or Text: (830) 642-1507 | Email: chet@coast2coastml.com | www.chethearn.com*

# FOREWORD: WHY I CREATED THIS GUIDE

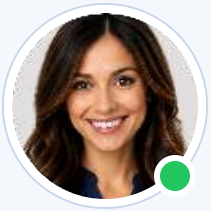
Buying a home in Texas can feel overwhelming—especially with higher property taxes, changing loan guidelines, insurance costs, and all the moving parts between shopping, financing, inspections, and closing. I created this Texas Homebuyer's Resource Guide to give you a clear, step-by-step roadmap so you can make confident decisions without surprises.

As your local Coast2Coast Mortgage advisor, licensed throughout Texas, I see the same questions come up again and again: How much home can I really afford? What credit score do I need? How much cash should I budget for closing? How do property taxes and insurance affect my monthly payment?

This guide answers those questions in the order you'll face them, so you can plan ahead, avoid common mistakes, and stay in control throughout the process.

— Chet Hearn, Senior Mortgage Advisor

Have a mortgage question while reading? Ask Ashley anytime. Free, with no obligation.



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CHAPTER 1

# GETTING STARTED WITH YOUR HOME PURCHASE

Before you start shopping for homes, it's crucial to understand where you stand financially and what you can afford. This chapter will help you assess your readiness and create a realistic budget.

## Step 1: Assess Your Financial Readiness

Calculate your monthly income, existing debts, and available savings. Lenders typically use a debt-to-income ratio (DTI) of 43–45% as a maximum threshold, although FHA, VA, and some conventional loan options will accept up to 50% on a case-by-case basis.

### Key Financial Metrics to Review:

- Monthly gross income (before taxes)
- Current monthly debt payments (credit cards, car loans, student loans)
- Available cash for down payment and closing costs
- Emergency fund (lenders like to see 2–3 months of reserves)

## Step 2: Check Your Credit Score

Your credit score significantly impacts your mortgage rate and loan options. Here's a general guide:

- **740+:** Best rates and terms available
- **680–739:** Good rates, most programs available
- **620–679:** Conventional loans still available, slightly higher rates
- **580–619:** FHA loans available
- **500–579:** FHA with 10% down payment

## Step 3: Determine Your Budget — Understanding Debt-to-Income Ratio (DTI)

Your debt-to-income ratio is one of the most important factors lenders use to determine how much home you can afford. DTI is calculated by dividing your total monthly debt payments by your gross monthly income. This includes your proposed house payment (mortgage, taxes, and insurance) plus all other monthly debt obligations such as car loans, credit cards, student loans, and personal loans.

> ***DTI Formula:*** *(Total Monthly Debt Payments + Proposed Housing Payment) ÷ Gross Monthly Income = DTI Ratio*

## What Lenders Expect

Most loan programs look for a DTI ratio of 40–43% or less, though some may allow up to 50%. Staying under 43% is your target for the best loan terms and financial flexibility.

## The 28/36 Rule: A Valuable Benchmark

Lenders still use the 28/36 rule as a benchmark to assess borrower risk, but it is no longer an absolute requirement for all loans. It acts as a guide, with many lenders offering flexibility for higher debt-to-income ratios based on credit score, down payment, and overall financial health.

### Key Details on the 28/36 Rule

- **The rule:** Your total monthly housing payment (principal, interest, taxes, insurance) should not exceed 28% of your gross monthly income (front-end ratio), and total debt payments (including the mortgage, credit cards, and car loans) should not exceed 36% (back-end ratio).
- **Current application:** Modern conventional loans often permit higher back-end ratios—sometimes up to 43% or 50% through automated underwriting.
- **Flexibility:** Lenders may approve higher ratios if you have strong credit, a large down payment, or significant cash reserves.
- **Why it still matters:** Even if not strictly enforced, it remains a valuable tool to prevent taking on too much debt, especially in high-interest or high-cost housing markets.

### Example: If your gross monthly income is $6,000

- Maximum housing payment (28%): $1,680/month
- Maximum total debt (36%): $2,160/month
- Your DTI calculation: ($1,680 housing + $480 other debts) ÷ $6,000 = 36%

In summary, the 28/36 rule is still a standard guideline for financial health. While lenders frequently allow higher ratios, staying within these parameters ensures you have room in your budget for other expenses and savings while maintaining strong financial stability.

## Texas-Specific Considerations

- Property taxes are higher than in most states (roughly 1.6–2.0% of home value annually, depending on location)
- No state income tax means more take-home pay
- The homestead exemption can reduce your property tax burden
- Hill Country properties may have well and septic requirements
- HOA fees vary widely by community

### Want a Personalized DTI & Budget Review?

**Talk to Chet — Free Consultation.** Send me your estimated income and monthly debts, and I'll help you estimate a comfortable payment range and compare loan options.

Call or Text: (830) 642-1507 | Book a Free Consultation

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CHAPTER 2

# UNDERSTANDING YOUR CREDIT SCORE

Your credit score is one of the most important factors in getting approved for a mortgage and determining your interest rate. Understanding how it works can save you thousands of dollars.

A credit report is a record of your credit history. It includes information about whether you pay your bills on time and how much you owe to creditors. Your credit score can change as your credit history changes. It's a good idea to check your credit report to make sure the information it contains is accurate. If you find mistakes, you have a right to dispute any inaccurate information.

## What Makes Up Your Credit Score

Your FICO score (the score most commonly used by mortgage lenders) is based on:

- **Payment History (35%):** Have you paid bills on time?
- **Credit Utilization (30%):** How much of your available credit are you using?
- **Length of Credit History (15%):** How long have you had credit?
- **New Credit (10%):** Recent credit inquiries and new accounts
- **Credit Mix (10%):** Variety of credit types (cards, loans, etc.)

## How to Improve Your Score

- Pay all bills on time (set up automatic payments)
- Reduce credit card balances below 30% of limits
- Don't close old credit cards (it shortens your credit history)
- Dispute any errors on your credit report
- Avoid opening new credit accounts before applying for a mortgage

## Quick Score Boost Strategies

### 30-Day Plan:

- Pay down credit card balances to below 10% utilization
- Become an authorized user on a family member's old, well-maintained card
- Request credit limit increases (and don't use the extra credit)

### 60-Day Plan:

- Resolve small collection accounts—but ask your loan officer first, because how and when you pay a collection can affect your score
- Set up automatic payments for all bills
- Get your free credit reports from AnnualCreditReport.com and dispute errors

**Want to Improve Your Credit Score Fast?**

Get Our Free Credit Score Advantage Plan — a free, soft-pull ScoreAdvantage review that may help identify what's holding your score back.

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CHAPTER 3

# SAVING FOR YOUR DOWN PAYMENT

One of the biggest obstacles to homeownership is saving for a down payment. The good news? You probably need less than you think.

## How Much Do You Really Need?

On a $300,000 home:

- **FHA Loan:** 3.5% = $10,500
- **Conventional First-Time Buyer:** 3% = $9,000
- **VA Loan (Veterans):** 0% = $0
- **USDA Loan (Rural Areas):** 0% = $0

Don't forget closing costs: typically 2–5% of the purchase price (another $6,000–$15,000 on a $300,000 home). Many buyers use seller concessions and/or Texas down payment assistance to reduce the cash needed at closing. See Chapter 16.

## Down Payment Saving Strategies

### 1. Automate Your Savings

Set up automatic transfers from checking to a dedicated savings account on payday. Start with $200–$500 a month if possible.

### 2. Use the 50/30/20 Budget Rule

- 50% needs (housing, food, utilities)
- 30% wants (dining out, entertainment)
- 20% savings/debt (your down payment fund)

### 3. Cut One Major Expense

Example: Reduce dining out from $400 a month to $150 = $250 a month saved. Over 2 years, that's $6,000.

### 4. Deposit Windfalls

Put tax refunds, work bonuses, and other one-time money straight into your down payment fund instead of your spending account. A single refund can cover a large share of an FHA down payment.

- **Gift funds:** Most loan programs allow a down payment gift from a family member, documented with a signed gift letter.
- **Keep a paper trail:** Lenders review your recent bank statements, so large deposits need to be explained and sourced. Deposit windfalls by check or transfer—not cash—and keep the paperwork.

## Texas Down Payment Assistance Programs

- **My First Texas Home (TDHCA):** Up to 5% of the mortgage amount for down payment and closing costs
- **Texas State Affordable Housing Corporation (TSAHC):** Grants and deferred second-lien assistance
- **Wholesale lender programs:** Many wholesale lenders offer their own grants and second-lien programs, which are often more flexible than the state programs
- **Local city programs:** Many Texas cities offer additional assistance
- Programs and funding change frequently—ask your lender what's currently available

### Need Help With Your Down Payment?

I compare down payment assistance programs across numerous wholesale lenders as well as the state programs. Schedule a Call to Discuss Your Options

Call or Text: (830) 642-1507 | Email: chet@coast2coastml.com

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CHAPTER 4

# HOW MUCH HOME CAN I AFFORD?

This is one of the most important questions to answer before you shop. Coast2Coast Mortgage offers a home affordability calculator to help you estimate how much house you can afford based on your income, debts, down payment, and other financial factors. It then personalizes price ranges and monthly payment breakdowns to help you plan your purchase.

### Calculator Features:

- Home price ranges based on your finances
- Monthly payment breakdown
- Debt-to-income ratio analysis
- Down payment calculations
- Advanced settings

### What You'll Need:

- **Income:** Annual or monthly
- **Debts:** Monthly debt payments
- **Housing:** Estimated down payment amount
- **Credit score range**
- **Property tax estimate:** If you don't know the local tax rate, estimate 1.6–2.0% of property value. Texas homestead exemptions can reduce your property taxes, but exemptions vary by taxing jurisdiction. For example, the $140,000 school district homestead exemption applies to school taxes, not the entire property tax bill. Homestead exemptions are discussed in Chapter 15.
- **Homeowners insurance estimate:** If you don't have a quote yet, use 0.5–0.6% of property value for inland Hill Country homes; coastal and high-risk areas run considerably higher. Homeowners insurance is discussed in Chapter 13.

### Run Your Numbers

Determine your home-buying budget and mortgage qualification: How Much Home Can I Afford? / What's My Home Buying Power?

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CHAPTER 5

# LOAN PROGRAMS COMPARISON

Choosing the right loan program is crucial. Here's a side-by-side look at the four main types, followed by the details of each.

## Quick Loan Programs Comparison

| Feature | FHA | Conventional | VA | USDA |
|---|---|---|---|---|
| Min. Down Payment | 3.5% | 3–5% | 0% | 0% |
| Credit Score | 580+ (500 with 10% down) | Varies (typically 620+) | Varies by lender | Varies by lender |
| Mortgage Insurance | Life of loan (11 years with 10%+ down) | Removable at 20% equity | None (funding fee instead) | Yes (guarantee fee) |
| Loan Limit (2026) | $541,287 (most Texas counties) | $832,750 | No limit with full entitlement | No set limit (income limits apply) |
| Best For | Lower credit, smaller down payment | Good credit | Veterans & service members | Rural & suburban areas |

Credit score requirements vary by program, underwriting guidelines, and lender.

> ***Down Payment Assistance May Be Available***
>
> *Many FHA and some conventional loan programs in Texas can be paired with down payment assistance grants or second liens, depending on income, location, and eligibility. Down payment assistance is not a loan program by itself—it works alongside an FHA or conventional mortgage to reduce the cash you need upfront. See Chapter 16 for details.*

## FHA Loans

**Best for:** First-time buyers, lower credit scores, smaller down payments

**Pros:**

- Only 3.5% down with a 580+ credit score
- Credit scores as low as 500 accepted (with 10% down)
- More flexible debt-to-income ratios
- Easier to qualify after bankruptcy or foreclosure

### Cons:

- Mortgage insurance for the life of the loan (or 11 years with 10%+ down)
- Lower loan limits ($541,287 in most Texas counties for 2026)
- Property must meet FHA standards
- Upfront mortgage insurance premium (1.75% of the loan)

### Real Example:

- $280,000 home in Kerrville
- 3.5% down ($9,800)
- 620 credit score
- Monthly payment: principal & interest + mortgage insurance (plus taxes and insurance)

## Conventional Loans

**Best for:** Good credit, 3–5% minimum down payment

### Pros:

- PMI removable at 20% equity
- Higher loan limits ($832,750 for 2026)
- Lower rates with excellent credit
- More property types accepted

### Cons:

- Typically requires a 620+ credit score
- Stricter debt-to-income requirements
- PMI required with less than 20% down
- Longer waiting periods after financial hardship

### Real Example:

- $350,000 home in San Antonio
- 10% down ($35,000)
- 720 credit score
- Monthly payment: principal & interest + mortgage insurance until 20% equity (plus taxes and insurance)

## VA Loans

**Best for:** Veterans, active military, eligible surviving spouses

### Pros:

- 0% down payment
- No monthly mortgage insurance
- Competitive interest rates
- Easier credit requirements
- Seller can pay closing costs

**Cons:**

- Must meet military service requirements
- One-time VA funding fee (see the table below; waived for veterans receiving VA disability compensation)
- Property must be your primary residence

## A Note for Veterans — from Chet

*As a U.S. Army veteran, helping fellow veterans use the home loan benefit they earned is some of the most meaningful work I do. Thank you for your service—here's how to get started, and I'm glad to help with every step.*

### Step 1: Get Your Certificate of Eligibility (COE)

Your COE shows lenders you qualify for a VA home loan. There are three ways to get it:

- **Through your lender (fastest):** I can usually request your COE online through VA's system with just your basic information.
- **Online yourself:** Sign in at VA.gov and request it under Housing Assistance → Home Loans.
- **By mail:** Complete VA Form 26-1880 and mail it to the address on the form. Mail requests take longer.

### What You'll Need:

- **Veterans:** Your DD-214 (discharge papers)
- **Active duty:** A statement of service signed by your commander or personnel officer
- **National Guard and Reserve:** Discharge papers, or a statement of service and points records, depending on whether you were activated
- **Surviving spouses:** The veteran's DD-214 (if available), plus VA Form 26-1817 if you receive DIC; other surviving spouses need additional forms, and I can walk you through them

### Step 2: Understand the VA Funding Fee

The funding fee is a one-time charge, paid at closing or added to your loan amount, that keeps the VA program running. It's a percentage of the loan amount:

| Down Payment | First Use | After First Use |
|---|---|---|
| Less than 5% | 2.15% | 3.3% |
| 5% to less than 10% | 1.5% | 1.5% |
| 10% or more | 1.25% | 1.25% |

**Exempt from the funding fee:** veterans receiving VA compensation for a service-connected disability, surviving spouses receiving DIC, and active-duty Purple Heart recipients, among others.

### Step 3: Ask About Texas Property Tax Exemptions

Texas veterans with a VA disability rating may qualify for a partial exemption ($5,000–$12,000 off appraised value, depending on rating). Veterans receiving 100% disability compensation (a 100% rating or individual unemployability) may qualify for a **total exemption on their homestead**. Apply with your county appraisal district.

## USDA Loans

**Best for:** Rural and suburban areas, moderate-income buyers

### Pros:

- 0% down payment
- Low mortgage insurance (guarantee fee)
- Competitive rates

### Cons:

- Property must be in an eligible area
- Household income limits vary by location and household size
- Longer processing times

**Texas USDA areas:** Much of the Hill Country qualifies, including parts of Kerrville, Boerne, Fredericksburg, and San Antonio suburbs. Check a specific address at the USDA eligibility site.

***Estimate your payment*** *for any of these programs with the free calculators at chethearn.com/calculators.*

## Mortgage Broker vs. Bank or Retail Lender: What's the Difference?

Not all mortgage lenders work the same way. Understanding the difference between a mortgage broker and a bank or retail lender can help you make a more informed decision.

**Coast2Coast Mortgage is a wholesale mortgage broker.** This means we work with a large network of wholesale lenders to find loan options that best fit your financial profile, rather than offering only one lender's products.

### How Mortgage Brokers Work

A mortgage broker:

- Works on your behalf, not for a single bank
- Accesses multiple lenders and loan programs
- Compares rates, fees, and guidelines across lenders
- Helps match you with the most competitive option for your situation

Because brokers are not limited to one lender's rules, they often provide more flexibility for credit score variations, debt-to-income ratios, self-employed income, and unique property types.

### How Banks and Retail Lenders Work

Banks and retail mortgage companies:

- Offer only their own loan products
- Use in-house underwriting and pricing
- May have fewer program options
- Often apply stricter lending guidelines

This can work well for borrowers with very straightforward financial profiles, but may limit options for others.

### Why This Matters to You

The right loan isn't just about the lowest advertised rate—it's about total loan cost, long-term flexibility, approval confidence, and clear communication throughout the process.

> ***Lender Insight:***
> *A mortgage broker's role is to help you compare options and guide you to the loan that best fits your goals—not to push a single lender's product.*

**Not Sure Which Loan Is Right for You?**

Get a Free Loan Comparison — we'll compare FHA, Conventional, VA, and USDA side by side with *your* numbers.

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CHAPTER 6

# WHY RATES CHANGE EVERY DAY (AND WHAT ACTUALLY SETS YOURS)

If you've shopped around and seen a different number every time you looked, you're not imagining it. There's no single mortgage rate on any given day—there's a range, and where you land in it depends on the market and the details of your own file.

## What Moves Rates in the Market

Mortgage rates follow the bond market, which reacts to inflation reports, employment data, and what investors expect the Federal Reserve to do next. Rates can move more than once during a single day as that market moves. No individual lender sets the market, and no lender—including a broker—can hold it still.

What a lender or broker can change is which loan program you use, how your file is structured, and which wholesale lender it goes to. That's usually where the real difference between two quotes comes from—not from one side finding a calmer market than the other.

> ***Lender Insight:***
>
> *For the market-wide picture, Freddie Mac publishes a weekly national average in its Primary Mortgage Market Survey. That's the number most rate headlines are quoting—a useful benchmark, and still not a quote for your file.*

## What Actually Sets the Rate You're Offered

Once you're past the day-to-day market movement, these are the levers that shape your specific number. Some you can change before you apply; some are fixed by the property or the purchase itself.

- **Credit score** — the single biggest lever most borrowers can still move before applying. Small improvements can cross a pricing threshold.
- **Down payment or equity** — how much of the value you're financing. More equity generally prices better and can remove mortgage insurance.
- **Loan program** — Conventional, FHA, VA, USDA, jumbo, and bank statement loans each price differently and suit different files.
- **Occupancy** — a home you'll live in prices differently from a second home or a rental.
- **Property type** — a single-family home, a condo, a manufactured home, or acreage in the Hill Country aren't priced the same way.
- **Loan amount and term** — very small and very large loans both price differently, and a shorter term usually carries a lower rate with a higher payment.

- **Discount points** — paying cost upfront to buy the rate down. Whether that's worth it depends on how long you keep the loan.
- **Lock period** — how long the rate is protected while you close. Longer protection generally costs a little more.

> ***Lender Insight:***
> *Working on your credit before you apply is usually the highest-return move on this list—see Chapter 2 for how to improve your score before you shop.*

## Why Advertised Rates Look Lower Than Your Quote

Advertised rates are real, but they assume a particular borrower—often a strong credit score, a sizable down payment, a primary residence, and sometimes points paid at closing. Rules on rate advertising require the annual percentage rate (APR) to be shown alongside the rate, which is usually where those assumptions surface in the fine print. If an advertised rate looks unusually good, the fine print is the part worth reading.

> ***Lender Insight:***
> *Because Coast2Coast shops multiple wholesale lenders instead of pricing from a single book of business, "today's rate" is whichever lender prices your file best that morning—not one fixed number to post.*

## Common Rate Myths

**MYTH: "I need to have my credit pulled just to get a rate estimate."**

REALITY: An initial quote can be built from your estimated credit score—no credit report required. A detailed credit report narrows that estimate down to a more precise number, but it's not needed for a first look at your options.

**MYTH: "Once I get a quote, that's my rate until closing."**

REALITY: A quote moves with the market until you actually lock it. Once you're under contract, your rate can be locked for a set period while the loan is processed—longer protection generally costs a little more.

**MYTH: "The lowest rate is always the best deal."**

REALITY: A lower rate often comes with higher costs paid upfront, which only pays off if you keep the loan long enough to break even. See Chapter 12 for how to compare the full picture, not just the rate.

**MYTH: "Rates are the same for buying and refinancing."**

REALITY: Pricing can differ by purpose, and cash-out refinances in particular are usually priced differently from a rate-and-term refinance. Texas also has its own rules on cash-out loans secured by a homestead—ask your loan officer how they apply to you.

## Want Your Actual Number?

None of this means rates are a mystery. It means the only number worth planning around is the one calculated for your file—and that takes a few minutes, not a commitment.

**Get My Rate & Options →**

Call or Text: (830) 642-1507 | chet@coast2coastml.com

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CHAPTER 7

# THE PRE-APPROVAL PROCESS

Getting pre-approved is your first official step toward homeownership. It shows sellers you're serious and helps you understand your buying power.

## Pre-Qualification vs. Pre-Approval

### Pre-Qualification: A quick estimate based on self-reported information (about 30 minutes)

- Informal assessment of your finances
- No document verification required
- Helpful for initial budgeting

### Pre-Approval: A verified review of credit, income, and assets (1–3 business days)

- Credit report pulled and reviewed
- Income and assets verified with documentation
- Official letter stating your maximum loan amount
- Carries much more weight with sellers

Coast2Coast Mortgage offers free pre-qualification and pre-approval services—no obligation, no upfront costs.

## The Pre-Approval Timeline

With all documents ready:

- **Day 1:** Submit your application and documents
- **Day 1:** Lender reviews credit and preliminary documentation
- **Day 1–2:** Receive your pre-approval letter with maximum loan amount

Coast2Coast Mortgage can provide same-day pre-approval when you have all the required documents ready to submit. Standard timeline: 1–3 business days.

## Pre-Approval Tips: Protect Your Approval

Get pre-approved **before** house hunting—many sellers won't consider offers without it. A pre-approval is a strong step forward, but it is not a final loan approval. Your pre-approval can be revoked if your financial situation changes, so maintain financial stability throughout your home search.

## What Can Change After Pre-Approval (and What to Avoid)

After pre-approval, maintain financial stability:

- Don't make any major purchases (cars, furniture, appliances)
- Don't change jobs if possible (lenders verify employment before closing)
- Don't open new credit accounts (even store credit cards)
- Don't close existing credit accounts
- Don't make large deposits or withdrawals without documentation
- Don't co-sign loans for anyone else
- **Do** continue paying all bills on time
- **Do** keep your debt levels stable or decreasing

Your lender will re-verify your credit, employment, assets, and debts shortly before closing.

> ***Lender Insight:***
>
> *Even small changes can affect your debt-to-income ratio or approval status. Always talk to your lender before making financial moves during the loan process.*

### Get Pre-Approved in 24 Hours

**Start Your Pre-Approval →**

Call or text for same-day pre-approval: (830) 642-1507

Email your documents: chet@coast2coastml.com

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CHAPTER 8

# THE LOAN APPLICATION PROCESS

1. **Complete the online application:** Your lender will send you a secure link to complete your initial mortgage application online (typically 15–30 minutes).
2. **Credit check:** The lender will pull your credit report to verify your credit score and history.
3. **Document submission:** Upload supporting documents for verification (see the checklist below).
4. **Underwriting review:** The lender's underwriting team verifies all information.
5. **Pre-approval letter issued:** You receive an official letter stating your maximum loan amount.

## Documents You'll Need

After you submit your loan application, you'll need to provide supporting documents for in-depth verification by underwriting. Requirements vary depending on the loan type, but here are the most common documents needed:

### Income Verification:

- Last 2 years of W-2s
- Last 30 days of pay stubs
- Last 2 years of tax returns (if self-employed)
- Profit & loss statement (if self-employed)

### Asset Verification:

- Last 2 months of bank statements (all pages)
- Investment account statements (all pages)
- Retirement account statements (all pages)
- Gift letter (if receiving down payment help from family)

### Personal Information:

- Valid driver's license or state ID
- Social Security number (card if available)

### Other Documentation (if applicable):

- Divorce decree or settlement agreement
- Child support/alimony documentation
- Landlord contact information (for rental history verification)

**Ready to Begin?**

Start Your Application →

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CHAPTER 9

# HOUSE HUNTING STRATEGIES

Now comes the fun part—finding your perfect home. Here's how to search effectively.

## Working with a Real Estate Agent

### Benefits:

- Access to MLS listings, sometimes before they hit public sites
- Expert knowledge of local neighborhoods
- Negotiation skills to get you the best price
- Guidance through paperwork and deadlines

**How your agent is paid:** Before you tour homes together, your agent will walk you through a written buyer representation agreement that explains their services and how they're compensated. In many transactions the seller contributes toward the buyer's agent compensation as part of the sale. Your agent will explain how that works and help you factor it into your offer—and let your lender know too, so your financing and closing cost estimates reflect it.

## Your Home Shopping Checklist

### Location:

- Commute time to work
- School district quality (even with no kids—it affects resale)
- Proximity to shopping, restaurants, and healthcare
- Crime rates and safety
- Future development plans for the area

### Property Features:

- Number of bedrooms/bathrooms needed
- Square footage requirements
- Garage/parking situation
- Yard size and maintenance
- Age and condition of major systems (HVAC, roof, water heater)

### Texas-Specific Considerations:

- Property tax rate in that specific area
- HOA fees and restrictions
- Flood zone status (very important in Texas)
- Well vs. city water
- Septic vs. sewer

## Red Flags to Watch For

- Foundation cracks (common in Texas clay soil)
- Signs of water damage or mold
- Outdated electrical systems
- Roof age over 15–20 years
- Deferred maintenance (indicates potential problems)
- Abnormal odors

***Lender Insight:***

*Get pre-approved before house hunting—most sellers and listing agents expect to see a pre-approval letter with your offer.*

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CHAPTER 10

# MAKING AN OFFER

When you find the right home, you need to act quickly but strategically. A well-crafted offer protects your interests while standing out to sellers.

## Before You Make an Offer

### Get Pre-Approved First

Never make an offer without a pre-approval letter. Sellers won't take you seriously without proof you can secure financing. In competitive markets, pre-approval is often required just to view homes. Coast2Coast Mortgage provides pre-approval letters typically within 24 hours.

### Work with a Licensed Real Estate Agent

A licensed real estate agent is essential for making offers. They will:

- Research comparable sales to determine fair market value
- Advise on competitive offer strategies
- Structure contingencies to protect your interests
- Negotiate on your behalf
- Navigate counteroffers and contract terms

Your lender will work with your agent to ensure your financing aligns with your offer strategy.

## Understanding Market Conditions

Your agent will help you assess current market conditions:

- **Seller's market:** Low inventory, multiple offers—expect to offer at or above asking price
- **Balanced market:** Fair negotiation—offer near asking price with reasonable contingencies
- **Buyer's market:** High inventory, few offers—room to negotiate below asking price

## Key Components of Your Offer

Your real estate agent will help you craft an offer that includes these essential elements:

### Purchase Price

Your opening bid, based on comparable sales, market conditions, and property condition. Your agent will advise on competitive pricing strategy.

### Earnest Money Deposit

- Typically 1–2% of the purchase price in Texas
- Shows you're a serious buyer
- Held in escrow by the title company and applied to your down payment or closing costs at closing
- Example: $300,000 home = $3,000–$6,000 earnest money

### Proposed Closing Date

- Typically 30–45 days from offer acceptance (some loan types can close in as little as 21 days)
- Your lender needs adequate time to process your loan
- Some sellers need quick closings; others need more time

> ***Lender Insight:***
> *Your lender will confirm a realistic closing timeline based on your loan type and documentation. Share this with your agent before making your offer.*

## Contingencies (Your Protection Clauses)

Your agent will recommend appropriate contingencies based on the property and market. Here are the most common:

### Financing Contingency (Recommended)

- Protects you if your loan falls through
- Typically 21–30 days to secure final approval
- Allows you to back out and recover earnest money if financing is denied

> ***Lender Insight:***
> *Even with pre-approval, include this contingency. Final loan approval depends on the property appraisal and underwriting, which happen after your offer is accepted.*

### Inspection Contingency (Highly Recommended)

- Gives you time to hire a professional home inspector
- Allows you to negotiate repairs or back out if major issues are found
- In Texas, this protection usually comes through the option period (below)
- Your agent will advise whether to shorten it in competitive situations

### Appraisal Contingency (Recommended)

- Protects you if the home appraises below your offer price
- Lenders won't lend more than the appraised value supports
- Gives you options to renegotiate or walk away

> ***Lender Insight:***
> *If the appraisal comes in low, you'll need to either negotiate a lower price with the seller, bring additional cash to cover the gap, or walk away using your appraisal contingency.*

### Option Period (Texas-Specific)

- A short period (typically 7–10 days) to conduct inspections and due diligence
- Costs $100–$500 (negotiable, paid to the seller)
- Allows you to terminate for **any** reason and get your earnest money back
- The option fee is not refunded if you terminate, but it is credited toward your purchase if you close

### Additional Terms

Your agent may negotiate seller-paid closing costs, personal property included (appliances, fixtures), a home warranty, and your possession date (when you get the keys).

> ***Lender Insight:***
> *If you're requesting seller-paid closing costs, your loan officer will provide estimates of your total closing costs so your agent knows what to negotiate for.*

## Appraisal Gaps & Low Appraisals

### What Happens If the Appraisal Comes in Low?

An appraisal determines the market value of the home for lending purposes. If the appraised value is lower than your contract price, this is known as an appraisal gap. When this happens, buyers typically have several options:

- Renegotiate the purchase price with the seller
- Bring additional cash to closing to cover the difference
- Request seller concessions or credits
- Walk away if protected by an appraisal contingency

> ***Lender Insight:***
> *Lenders base loan amounts on the lower of the purchase price or appraised value. Understanding this ahead of time helps you structure smarter offers and avoid surprises. Your real estate agent and lender will work together to guide you to the best option based on your financial comfort level and market conditions.*

## How Your Lender Supports Your Offer

While your real estate agent handles negotiations and contract terms, here's how your loan officer supports your offer:

- **Provide a strong pre-approval:** A detailed pre-approval letter shows sellers you're financially qualified and serious.
- **Confirm realistic timelines:** Verify that closing can occur within your proposed timeframe based on your loan type.
- **Calculate affordability:** Run scenarios showing different purchase prices and their impact on your monthly payment, helping you set your maximum offer.
- **Estimate closing costs:** Provide accurate closing cost estimates so you know your total cash needed and can request seller credits if appropriate.
- **Communicate with your agent:** Stay in close contact with your agent throughout the process to ensure financing supports your offer strategy.
- **Respond quickly:** In competitive situations, be available to answer financing questions quickly so you can make confident decisions.

## Understanding Your Financial Limits

Before making an offer, discuss these key financial considerations with your loan officer:

### Monthly Payment Scenarios

- How different purchase prices affect your monthly payment
- Impact of interest rate changes
- Property tax and insurance estimates

### Cash Needed at Closing

- Down payment requirements
- Closing costs (typically 2–5% of purchase price)
- Earnest money (credited toward your down payment)
- Reserves you should maintain after closing

### Debt-to-Income Ratio

- Your maximum qualified loan amount
- Comfortable payment vs. maximum payment
- Buffer for unexpected expenses

> ***Set Your Walk-Away Number***
>
> *Before making an offer, decide your maximum comfortable price and monthly payment. Bidding wars can trigger emotional decisions—know your financial limits and stick to them.*

## The Offer Process: What to Expect

1. Your agent drafts the offer using the standard Texas Real Estate Commission (TREC) contract.
2. Your agent submits the offer to the seller's agent.
3. The seller responds (usually within 24–48 hours): accept, counter, or reject.
4. If countered, your agent advises on accepting, countering back, or walking away.
5. Once both parties sign, you're officially under contract and the financing process begins.

**Lender's role:** Once you're under contract, your lender will immediately begin processing your loan to meet your closing deadline.

## Protecting Yourself During Negotiations

### Don't Stretch Beyond Your Budget

Just because you're pre-approved for a certain amount doesn't mean you should spend it all. Leave room for furniture and moving costs, initial maintenance and repairs, an emergency fund (3–6 months of expenses), and future financial goals.

### Keep Key Protections

Work with your agent to maintain important contingencies, especially:

- **Financing contingency** — protects you if your loan falls through
- **Option period/inspection** — protects against hidden defects
- **Appraisal contingency** — protects you if the home value is lower than your offer price

### Coordinate with Your Team

Your lender and agent should communicate directly and work together seamlessly to ensure your financing supports your offer strategy, timelines are realistic and achievable, and any financing concerns are addressed immediately.

## Green Lights: You're Ready to Make an Offer When…

- You have a pre-approval letter in hand
- You've toured the home at least once (ideally twice)
- You understand your total monthly payment, including taxes and insurance
- You have cash reserves for down payment, closing costs, and emergencies
- You've reviewed the seller's disclosure and are comfortable with the property
- Your agent confirms the price aligns with market value
- You're emotionally and financially prepared to commit

## Red Flags: When *Not* to Make an Offer

- You haven't been pre-approved
- You're stretching beyond your comfortable budget
- Major red flags appeared during the showing (foundation issues, extensive damage)
- You're in a bidding war that exceeds the home's value
- You haven't reviewed the seller's disclosure

***Lender Insight:***

*For offer strategy, negotiations, and contract terms, work with a licensed real estate agent who can provide expert guidance on competitive offers, inspections, and negotiations.*

**Ready to Make an Offer?**

Get Pre-Approved First →

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CHAPTER 11

# THE HOME INSPECTION PROCESS

The home inspection is one of the most important protections in your home purchase. It reveals the property's true condition before you finalize the deal.

## What Is a Home Inspection?

A professional home inspector conducts a thorough, non-invasive examination of the property's condition, evaluating:

### Major Systems:

- Foundation and structural components
- Roof and attic
- Plumbing system
- Electrical system
- HVAC (heating, ventilation, air conditioning)

### Additional Areas:

- Windows and doors
- Insulation and ventilation
- Interior walls, ceilings, and floors
- Exterior siding and trim
- Drainage and grading
- Garage and outbuildings

The inspector identifies existing problems, potential safety issues, and items that may need repair or replacement in the near future.

## Timeline and Cost

### When It Happens:

- After your offer is accepted
- During your option period (Texas-specific, typically 7–10 days)
- Before the loan appraisal (recommended)

### Cost:

- Typically $300–$600, depending on home size and age
- Paid directly to the inspector (not part of closing costs)
- Buyer's responsibility—not covered by your loan

### Duration:

- 2–4 hours for an average-sized home
- Larger or older homes may take longer

> ***Lender Insight:***
>
> *Schedule your inspection as early as possible during your option period. If major issues are discovered, you'll need time to negotiate repairs or adjust your financing before your appraisal is ordered.*

## Choosing a Home Inspector

### Look for:

- A Texas license (TREC licenses home inspectors)
- Membership in professional associations (ASHI, InterNACHI)
- Experience with your home's age and style
- Errors and omissions insurance
- Detailed sample reports
- Positive reviews and references

### Red Flags:

- Significantly cheaper than competitors
- Can't provide proof of licensing
- Unwilling to let you attend the inspection
- Offers repair services (conflict of interest)

### Questions to Ask:

- How long have you been inspecting homes?
- Are you licensed in Texas?
- What does your inspection cover?
- How long will the inspection take?
- When will I receive the report?
- Can I attend the inspection?

Your real estate agent can recommend qualified inspectors, but the choice is yours.

## Attending Your Inspection (Highly Recommended)

### Why You Should Attend:

- Ask questions in real time about the home's condition
- See problems firsthand rather than just reading about them
- Learn about maintenance needs and system locations
- Understand the severity of issues (minor vs. major)
- Build a relationship with the inspector for follow-up questions

### What to Bring:

- Notepad and pen
- Camera or smartphone for photos
- Questions about specific concerns you noticed
- Comfortable shoes (you'll be walking around a lot)

### What to Expect:

- The inspector will walk through the entire property systematically
- Feel free to ask questions, but let the inspector work
- Take notes on major items and recommendations
- Discussion of findings typically happens at the end

## Understanding Your Inspection Report

### Timeline:

- Most inspectors provide reports within 24–48 hours
- Digital format with photos and descriptions
- Typically 30–50+ pages for an average home

### Report Sections:

- **Summary of major concerns** — issues requiring immediate attention
- **Detailed findings** — room-by-room breakdown with photos
- **Safety issues** — electrical, structural, or health hazards
- **Maintenance recommendations** — routine upkeep items
- **System/component ratings** — condition and remaining life expectancy

### How to Read the Report:

- Focus on safety issues and major system failures first
- Distinguish between immediate needs and future maintenance
- Understand the remaining life expectancy of major components (roof, HVAC, water heater)
- Don't panic over minor cosmetic issues

> ***Lender Insight:***
>
> *If the inspection reveals issues that require immediate repairs (electrical, plumbing, structural), these may need to be addressed before closing to satisfy appraisal requirements. Discuss significant findings with your lender early.*

## Common Issues Found During Inspections

### Major Concerns (Negotiate or Walk Away):

- Foundation cracks or settling
- Roof damage or a roof near the end of its life
- Electrical hazards or outdated wiring
- Plumbing leaks or sewer line issues
- HVAC system failures
- Mold or water damage
- Structural defects

### Moderate Issues (Negotiate Repairs or Credits):

- Minor roof repairs needed
- HVAC nearing the end of its expected life
- Plumbing fixtures needing replacement
- Dated electrical panels
- Drainage problems
- Window/door issues

### Minor Issues (Accept or Request Small Credits):

- Cosmetic repairs
- Caulking and weatherstripping
- Minor maintenance items
- Routine upkeep recommendations

## Your Options After the Inspection

Once you receive the inspection report, you typically have several options:

### 1. Request Repairs

Ask the seller to fix specific items before closing.

**Pros:** Issues are resolved before you move in, and quality work is the seller's responsibility. **Cons:** The seller may choose the cheapest contractors, you don't control repair quality, and repairs may delay closing.

### 2. Request a Price Reduction

Negotiate a lower purchase price to offset repair costs.

**Pros:** You control when and how repairs are done, you choose your own contractors, and your purchase price and loan amount go down. **Cons:** You must have cash to make repairs after closing, and you may live with the issues until repairs are completed.

***Lender Insight:***

*A price reduction lowers your purchase price—and with it your loan amount and, if your down payment is a percentage, your down payment—but the savings are spread over the life of the loan. It doesn't put cash in your hands for repairs. If you need money for repairs right after closing, a closing cost credit may help more.*

### 3. Request a Closing Cost Credit

The seller pays some of your closing costs; you handle repairs after purchase.

**Pros:** Reduces the cash needed at closing, and you control the repairs. **Cons:** You must have funds for repairs after closing, and credits have limits based on loan type.

***Lender Insight:***

*Seller credits for closing costs are limited by loan type: Conventional (3–9%, depending on down payment), FHA (6%), VA (4%), USDA (6%). Credits also can't exceed your actual closing costs. Your lender can confirm your specific limits.*

### 4. Negotiate a Combination

A mix of repairs, price reduction, and/or credits.

### 5. Accept "As-Is"

Proceed with the purchase despite the findings. This makes sense when issues are minor and manageable, the property is priced below market to account for condition, you have cash reserves for repairs, or you're in a competitive market where the seller won't negotiate.

### 6. Terminate the Contract

Walk away from the purchase. Consider this when major structural or safety issues are discovered, repair costs exceed your budget, or the property isn't worth the investment—ideally during your option period.

***Lender Insight:***

*Major issues discovered during inspection may affect the property's appraised value. If the appraiser notes deferred maintenance or structural concerns, the lender may require repairs before funding the loan.*

## Texas Option Period: Your Safety Net

In Texas, the option period gives you the unrestricted right to terminate the contract for **any** reason.

### Key Details:

- Typically 7–10 days (negotiated in your offer)
- Costs $100–$500 paid to the seller (not refunded if you terminate; credited toward your purchase if you close)
- You must terminate in writing before the option period expires
- Terminating within the option period lets you recover your earnest money
- After the option period ends, you can only terminate using the contract's remaining contingencies

### Strategy:

- Schedule your inspection immediately after going under contract
- Receive the report and make your decision before the option period expires
- If terminating, notify the seller in writing by the deadline

## Re-Inspection After Repairs

If the seller agrees to make repairs:

### Best Practice:

- Request a re-inspection before closing ($100–$200)
- Verify repairs were completed properly
- Document that work was done as agreed
- Ensure no new issues arose during repairs

### What to Check:

- Repairs match what was negotiated
- Work was done by licensed contractors
- Permits were pulled if required
- Quality of workmanship is acceptable

## Red Flags That Should Stop a Purchase

Some issues are serious enough to walk away:

- Major foundation problems — extensive cracking, shifting, settling
- Active roof leaks or a roof near complete failure
- Sewage or septic system failure
- Extensive mold or water damage
- Electrical fire hazards — aluminum wiring, Federal Pacific panels
- Structural defects compromising the home's integrity
- Extensive termite or pest damage

> ***Lender Insight:***
>
> *When repair costs exceed 10–15% of the home's value, seriously reconsider the purchase.*

## Specialized Inspections

Your general home inspection may reveal the need for specialized inspections:

- **Structural engineer** — foundation or framing concerns
- **Roof inspection** — detailed roof condition assessment
- **Mold inspection** — visible mold or moisture issues
- **Pest/termite inspection** — evidence of infestation (often required in Texas)
- **Septic inspection** — for homes with septic systems
- **Well inspection** — for homes with private wells
- **HVAC specialist** — detailed system evaluation
- **Chimney inspection** — for homes with fireplaces

Cost: $200–$500+ per specialized inspection.

> ***Lender Insight:***
>
> *Some loan types (FHA, VA, USDA) may require specific inspections or repairs before loan approval. Your lender will inform you of any mandatory requirements based on your loan type.*

## Final Walk-Through

### Before Closing (24–48 hours prior), confirm:

- Agreed repairs were completed
- The property is in the same condition as when your offer was made
- All appliances and fixtures included in the sale are present
- No new damage has occurred
- Utilities are functional

**Bring:** a copy of the inspection report, the list of negotiated repairs, and a camera for documentation.

### Questions About How Inspection Results Affect Your Loan?

Your lender can help you understand how inspection findings may impact your appraisal, whether repairs are required before loan funding, seller credit limits for your loan type, how repair costs affect your cash to close, and contingency timelines. For inspection scheduling, repair negotiations, and contract amendments, work closely with your licensed real estate agent.

**Ready to start house hunting? Get Pre-Approved First →**

Call or Text Chet: (830) 642-1507 | chet@coast2coastml.com

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CHAPTER 12

# UNDERSTANDING CLOSING COSTS IN TEXAS

## How Much Are Closing Costs in Texas?

Closing costs are the fees required to finalize a mortgage. In Texas, they typically range from 2% to 5% of the home's purchase price. These costs include lender fees, third-party services, prepaid taxes and insurance, and recording fees.

**Example:**

- $300,000 home = $6,000 to $15,000 in closing costs
- $400,000 home = $8,000 to $20,000 in closing costs

> ***Lender Insight:***
>
> *Working with a mortgage broker means your loan is shopped across multiple wholesale lenders for you—identifying credits and avoiding unnecessary fees—so you get the best overall deal, not just the lowest advertised rate.*

## Cash to Close vs. Down Payment

These two terms are often confused—but they are not the same.

**Down Payment:**

- The portion of the purchase price you pay upfront toward ownership
- Builds equity in your home from day one
- Example: 10% down on $300,000 = $30,000

**Cash to Close:**

- The total amount you bring to closing
- Formula: Down payment + Closing costs + Prepaid items − Credits/Concessions (and minus earnest money already deposited)
- Example: $30,000 (down payment) + $9,000 (closing costs) + $3,000 (prepaids) − $5,000 (seller credit) = $37,000 cash to close

> ***Lender Insight:***
>
> *Many first-time buyers are surprised that they need more than just the down payment. Always ask your lender for your total "cash to close" amount early in the process so you can plan accordingly.*

## What Makes Up Closing Costs?

Closing costs fall into several categories:

### Lender Fees (Section A on the Loan Estimate)

These vary by lender:

- Origination fee: Lender's charge for processing your loan (0.5–1% of loan amount)
- Discount points: Optional fee to buy down your interest rate
- Underwriting fee: Cost to review and approve your loan ($750–$1,300)
- Processing fee: Administrative costs ($500–$900)

### Third-Party Services (Sections B & C)

These are fairly standard from loan to loan:

- Appraisal: $650–$750
- Credit report: $150
- Document preparation: $175–$250
- Title attorney: $150
- Flood certification: $15
- MERS (Mortgage Electronic Registration Systems): $25
- Tax service: $85–$100
- Title company settlement/escrow fee: $500–$600
- Lender's title policy: about $100 when issued with the owner's policy, plus required endorsements (often a few hundred dollars total)
- Owner's title policy: set by Texas Department of Insurance rates (roughly $1,700–$2,500 on a $300,000 home); customarily paid by the seller in many Texas markets, but negotiable
- Survey: $350–$600

### Government Fees (Section E)

Set by state/local government:

- Recording fees: $100–$200 (Texas has no state real estate transfer tax)

### Prepaid Items (Section F)

Money collected upfront for future expenses:

- Homeowners insurance: First year's premium (paid at closing)
- Property taxes: Any portion due at closing (Texas taxes are paid in arrears, so the seller usually credits you for their share of the current year)
- Prepaid interest: Interest from your closing date to the end of the month

### Initial Escrow Payment (Section G)

Reserves held by your lender:

- Property tax reserve: 2–6 months
- Homeowners insurance reserve: 2–6 months
- HOA dues (if applicable): varies

> ***Lender Insight:***
>
> *Escrow reserves are your money—held by the lender to pay your taxes and insurance when due. You're not losing this money; it's set aside for future bills.*

## Factors Influencing Your Closing Costs

**Loan Type:**

- FHA, VA, USDA, and conventional loans have different requirements
- FHA and USDA require upfront mortgage insurance/guarantee fees
- VA loans have a funding fee (can be financed)

**Location:**

- Property taxes vary by county and taxing district
- Title insurance rates are set by the Texas Department of Insurance
- Some Texas counties have higher recording fees

**Your Rate Choice:**

- Paying discount points lowers your rate but raises upfront costs
- Choosing a slightly higher rate can reduce upfront costs or earn a lender credit

**Purchase Price:**

- Title insurance and some fees are percentage-based
- Higher-priced homes = higher closing costs

**Closing Date:**

- Closing late in the month = less prepaid interest
- Closing early in the month = more prepaid interest

## When Do I Get an Accurate Estimate?

### Loan Estimate (LE)

- Federal law requires lenders to provide this within 3 business days of application
- Standardized 3-page form for easy comparison
- Fee estimates are good for 10 business days
- Shows estimated closing costs and cash to close

### Closing Disclosure (CD)

- Provided at least 3 business days before closing
- Final, detailed breakdown of all costs
- Must match the Loan Estimate closely (with few exceptions)
- Review carefully before signing

> ***Lender Insight:***
> *The Loan Estimate is just that—an estimate. Your final Closing Disclosure may vary slightly based on actual title fees, taxes, and daily interest calculations. Major increases are rare and must be justified.*

## Understanding Your Loan Estimate

Your Loan Estimate is a standardized, three-page form that shows exactly what your loan will cost. Knowing how to read it helps you choose the right rate and fee structure for your plans—not just the lowest rate.

### Section A: Origination Charges

Section A shows the lender's charges for your loan: origination, underwriting, and processing fees, plus any discount points you choose to pay to buy down your rate. This is where your rate-and-cost choices show up.

### Interest Rate vs. APR

- **Interest rate:** What determines your monthly principal and interest payment
- **APR (Annual Percentage Rate):** Reflects the interest rate plus certain loan costs, giving you a more complete picture of what the loan costs over time

A lower interest rate with higher upfront costs may cost more over time than a slightly higher rate with lower costs. The APR helps reveal this.

### Costs That Don't Change With Your Rate Choice

These are driven by the property, the title company, and local government rather than the rate you choose:

- Third-party services (appraisal, title insurance, credit report)
- Government recording fees
- Prepaid items (property taxes, homeowners insurance)
- Escrow reserves

They're part of your cash to close, but they don't change whichever rate option you pick.

### Example: Two Rate Options on the Same Loan ($300,000, 30-year fixed):

| Item | Option A: Lower Rate | Option B: Lower Upfront Cost |
|---|---|---|
| Section A Costs (incl. points) | $3,500 | $1,200 |
| Interest Rate | 6.50% | 6.75% |
| APR (Section A costs only) | 6.61% | 6.79% |
| Monthly Payment (P&I) | $1,896 | $1,946 |

Rates and costs are illustrative only, not a quote. A real APR also includes other prepaid finance charges.

> ***Analysis: Find the Break-Even Point***
>
> *Option A costs $2,300 more upfront but saves about $50 a month. $2,300 ÷ $50 ≈ 46 months, so the break-even point is just under 4 years. If you expect to keep the loan longer than that, Option A costs less overall; if you're likely to sell or refinance sooner, Option B makes more sense. Your loan officer can lay out several rate options side by side so you can choose with confidence.*

## Warning: Watch Out for "No-Closing-Cost" Loans

These options don't eliminate closing costs—they just move them into a higher interest rate (you pay more monthly over time) or a higher loan amount (costs added to principal).

**When it makes sense:** You plan to sell or refinance within 2–3 years, or you don't have cash for closing costs. **When it doesn't:** You plan to stay in the home long-term and have cash available.

> ***Helpful Tip***
>
> *Two loans can have the same interest rate but very different total costs. Always compare the full Loan Estimate (rate + fees + credits), not just the rate.*

## Where You Have Control

- Homeowners insurance (compare 3–5 quotes)
- Home inspection (ask for referrals, compare prices)
- HOA transfer fees (sometimes negotiable)

### Where you have little control:

- Title company (in Texas, the seller often chooses it)
- Appraisal (the lender orders it from an approved panel)

## Time Your Closing Strategically

Closing near month-end reduces the prepaid interest you bring to closing:

- Closing on the 28th vs. the 5th can save hundreds in prepaid interest at closing
- Your first payment is typically due on the 1st of the second month after closing (close in June → first payment August 1)

### Example:

- Close June 28: pay 3 days of interest at closing
- Close June 5: pay 26 days of interest at closing

## Negotiate Seller Concessions

Ask the seller to contribute toward your closing costs.

### How it works:

- Negotiated as part of your purchase offer
- The seller agrees to pay a portion of your closing costs
- Cannot be used for your down payment
- Subject to loan-type limits (below)

### Seller Concession Limits by Loan Type:

| Loan Type | Maximum Seller Contribution |
|---|---|
| Conventional | 3% (down payment under 10%); 6% (10–25% down); 9% (more than 25% down) |
| FHA | 6% of purchase price |
| VA | 4% of purchase price (concessions; normal closing costs paid by the seller don't count toward the 4%) |
| USDA | 6% of purchase price |

Limits shown are for primary residences.

> ***Lender Insight:***
>
> *Seller concessions reduce your cash to close but may result in a higher offer price. In competitive markets, sellers may be less willing to offer concessions.*

## Request Lender Credits

A lender credit is money the lender applies toward your closing costs, typically in exchange for a slightly higher interest rate.

### How it works:

- The lender covers some or all of your closing costs
- You accept a higher interest rate (often 0.25–0.50% higher)
- Reduces the cash needed at closing

**When it makes sense:** You're short on cash for closing, you plan to sell or refinance within a few years, or you value lower upfront costs over long-term savings. **When it doesn't:** You plan to stay in the home long-term, or you have cash available and want the lowest rate.

### Example:

- Option A: 6.25% rate, $8,000 closing costs, $0 lender credit
- Option B: 6.50% rate, $8,000 closing costs, $2,000 lender credit (you pay $6,000)

> ***Lender Insight:***
> *Lender credits and seller concessions can be combined to minimize your out-of-pocket costs. Your loan officer will run scenarios to show the best strategy for your situation.*

## Lender Credits vs. Seller Concessions: What's the Difference?

| Feature | Lender Credits | Seller Concessions |
|---|---|---|
| Who pays? | Lender | Seller |
| Trade-off | Higher interest rate | Negotiated in your offer |
| Limits | Can't exceed your actual closing costs | Loan-type limits apply |
| Can combine? | Yes | Yes |
| Affects loan amount? | No | No |

**Best strategy:** Combine both to maximize savings while keeping monthly payments manageable.

## When Will I See My Closing Cost Estimate?

### Initial Loan Estimate (LE) — within 3 business days of your loan application

Shows estimated loan terms, projected closing costs, estimated cash to close, and a monthly payment breakdown. Use it to understand your options and plan your budget.

### Final Closing Disclosure (CD) — at least 3 business days before closing

Shows final loan terms, actual closing costs (detailed breakdown), your final cash-to-close amount, and a side-by-side comparison with your Loan Estimate. Use it to verify accuracy before closing day.

> ***Lender Insight:***
>
> *Federal law requires a 3-business-day waiting period after you receive the Closing Disclosure. This gives you time to review and ask questions. Certain changes to the CD (such as a higher APR or a different loan product) trigger a new 3-day waiting period, potentially delaying closing.*

### Get Your Free Closing Cost Breakdown

The best way to determine your true interest rate, estimated closing costs, and total cash to close is a personalized mortgage review. Online estimates are a good starting point—but they don't tell the whole story. No obligation, no credit impact.

Get Your Free Closing Cost Breakdown → | Schedule a Call to Review Costs

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CHAPTER 13

# HOMEOWNERS INSURANCE BASICS

## Why You Need Homeowners Insurance

Homeowners insurance is required by your lender and protects your investment from unexpected damage or loss. It's a mandatory part of homeownership—you cannot close on your home without proof of insurance.

Your insurance premium is typically included in your monthly mortgage payment through an escrow account, along with property taxes. This means insurance costs directly affect your buying power and monthly budget.

> ***Lender Insight:***
>
> *Insurance costs are factored into your debt-to-income (DTI) ratio during loan approval. Higher insurance premiums mean higher monthly payments, which can affect how much home you qualify for.*

## What Homeowners Insurance Covers

A standard homeowners policy (HO-3) typically includes:

### Dwelling Coverage:

- Repairs or rebuilds your home if damaged by covered events (fire, wind, hail, lightning)
- Must meet your lender's requirement (generally the replacement cost of the home, or at least the loan amount)
- Full replacement-cost coverage is recommended

### Personal Property:

- Covers your belongings (furniture, clothing, electronics)
- Typically 50–70% of dwelling coverage
- Consider riders for high-value items (jewelry, art)

### Liability Protection:

- Covers you if someone is injured on your property
- Protects against lawsuits
- Typically $100,000–$300,000 of coverage

### Additional Living Expenses:

- Pays for temporary housing if your home is uninhabitable
- Covers hotel, meals, and other costs during repairs

## What's *Not* Covered (Important!)

Standard homeowners insurance does not cover:

- **Flood damage** — requires separate flood insurance
- **Earthquakes** — requires separate earthquake coverage
- **Normal wear and tear** — maintenance is your responsibility
- **Pest damage** — termites, rodents, etc.
- **Sewer backup** — may require an additional rider

> ***Lender Insight:***
> *Many Texas buyers are surprised to learn flood insurance is separate and not included in standard homeowners policies. If your home is in a FEMA flood zone, your lender will require flood insurance.*

## Texas-Specific Insurance Considerations

### Wind and Hail Coverage:

- In coastal counties, wind/hail may be excluded from standard policies
- May require separate coverage through TWIA (Texas Windstorm Insurance Association)
- Significantly increases insurance costs in coastal areas

### Flood Insurance:

- Required if the home is in a FEMA-designated flood zone
- Purchased separately through the National Flood Insurance Program (NFIP) or private insurers
- Costs vary widely ($400–$2,000+ per year)
- Even if not required, consider it—flooding can happen anywhere

### Higher Rates in Texas:

- Texas has some of the highest homeowners insurance rates in the U.S.
- Rates have increased significantly in recent years

### Hail and Storm Claims:

- Texas experiences frequent hail storms
- Prior claims on the property can increase your rates
- Ask the seller for a CLUE report (the property's claims history)

## How Much Does Homeowners Insurance Cost?

### Texas Averages:

- Statewide average: $2,000–$4,000 per year ($165–$330 per month)
- Coastal areas: $4,000–$8,000+ per year
- Inland/suburban: $1,500–$3,000 per year

### Factors That Affect Your Rate:

- Home value and replacement cost
- Location (coastal, urban, rural)
- Age of home (older homes = higher rates)
- Construction materials (brick vs. wood frame)
- Roof age and condition
- Claims history (yours and the property's)
- Credit-based insurance score
- Deductible amount (higher deductible = lower premium)
- Security features (alarm system, smoke detectors)

> ***Lender Insight:***
> *When calculating your monthly payment, estimate insurance costs based on your location and home value. Get actual quotes early to avoid surprises at closing.*

## How to Shop for Homeowners Insurance

### Start Early:

- Begin shopping 30–45 days before closing
- You need proof of insurance to close
- Gives you time to compare and negotiate

### Get Multiple Quotes:

- Compare at least 3–5 insurance companies
- Don't just compare price—compare coverage limits and deductibles

### Compare Coverage, Not Just Price:

- Verify dwelling coverage limits match
- Check deductible amounts (typical: $1,000–$5,000; wind/hail deductibles are often a percentage of dwelling coverage)
- Review liability limits
- Understand what's excluded

### Ask About Discounts:

- Bundling (home + auto with the same company)
- New home discount (homes less than 10 years old)
- Security systems (burglar alarm, fire alarm)
- Storm shutters or impact-resistant roof
- Claims-free history
- Higher deductible
- Gated community or HOA

### Questions to Ask Insurance Agents:

- What is the dwelling coverage limit?
- What is my deductible for wind/hail vs. other perils?
- Is flood insurance required or recommended?
- Are there any coverage exclusions I should know about?
- What discounts am I eligible for?
- How much will my premium increase after a claim?
- Can I save money by paying annually instead of monthly?

## What Your Lender Requires

- Adequate dwelling coverage (generally replacement cost, or at least the loan amount)
- Proof of insurance at or before closing
- First year's premium paid at closing (included in closing costs)
- Lender listed as mortgagee on the policy
- Flood insurance if the property is in a flood zone
- Continuous coverage—the policy cannot lapse during the loan term

### Escrow Account

- Your lender collects 1/12 of the annual premium each month
- Holds the funds in escrow
- Pays the insurance company directly when the premium is due
- You'll also prepay 2–6 months of insurance into escrow reserves at closing

> ***Lender Insight:***
>
> *If your insurance lapses after closing, the lender can force-place insurance on your behalf—and it will be significantly more expensive than maintaining your own policy.*

## Common Homeowners Insurance Myths

**MYTH: "My homeowners insurance covers flooding."**

REALITY: Flood damage requires separate flood insurance. Standard policies exclude floods.

**MYTH: "I don't need flood insurance if I'm not in a flood zone."**

REALITY: Roughly 25% of flood insurance claims come from outside high-risk flood zones. Consider it even if not required.

**MYTH: "I can save money by insuring my home for less than its value."**

REALITY: Your lender sets a minimum coverage requirement, and under-insuring can leave you unable to rebuild after a total loss.

**MYTH: "Insurance covers everything inside my home."**

REALITY: Personal property coverage has limits. High-value items (jewelry, art, collectibles) may need additional riders.

**MYTH: "The seller's insurance covers me until closing."**

REALITY: You need your own policy effective on closing day. The seller's policy ends when ownership transfers.

## Timeline: When to Get Insurance

### 30–45 Days Before Closing:

- Start shopping for quotes
- Compare coverage and costs
- Ask about discounts

### 7–14 Days Before Closing:

- Select your insurance company
- Finalize coverage amounts and deductibles
- Provide policy information to your lender

### At Closing:

- First year's premium paid (included in closing costs)
- Proof of insurance required to close
- Policy effective date = closing date

***Lender Insight:***

*Don't wait until the last minute—insurance can delay closing if it isn't arranged in time. Your lender will remind you when to start shopping, but you're responsible for obtaining quotes and selecting a policy.*

## After You Close

### Maintain Continuous Coverage:

- Never let your policy lapse
- Your lender monitors insurance status
- Lapsed insurance is a breach of your mortgage terms

### Review Coverage Annually:

- Home values and replacement costs change
- Update coverage as needed
- Shop for better rates (loyalty doesn't always pay)

### Understand Your Deductible:

- You pay the deductible before insurance covers the rest
- Higher deductible = lower premium, but more out-of-pocket if you file a claim

### Document Your Belongings:

- Take photos/videos of your home and possessions
- Store documentation off-site (cloud storage)
- Makes the claims process easier

For insurance quotes and coverage recommendations, contact licensed insurance agents. Your lender will coordinate with them to ensure your policy meets closing requirements.

**Questions About Insurance Requirements?**

Schedule a Call to Discuss Your Options | Email Chet: chet@coast2coastml.com

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CHAPTER 14

# THE CLOSING PROCESS: WHAT TO EXPECT

Closing (also called settlement) is the final step, where ownership officially transfers from seller to buyer. In Texas, closings are handled by title companies rather than attorneys, unlike in many other states. Here's what happens.

## Timeline

- Typically 30–45 days after your offer is accepted
- May be shorter (21 days) or longer, depending on loan type and contract terms

## Before Closing Day

### Final Underwriting (1–2 weeks before closing):

- Lender completes final loan approval
- Re-verifies employment and assets
- Reviews the appraisal and title report

### Title Work:

- Title company searches property records for liens or ownership disputes
- Title insurance is arranged to protect you and your lender
- Any issues (liens, judgments) must be resolved before closing

### Final Walk-Through (24–48 hours before closing):

- Verify agreed-upon repairs are completed
- Ensure the property is in the expected condition
- Check that appliances and fixtures included in the sale are present
- Confirm no new damage has occurred

> ***Lender Insight:***
> *Don't make any major financial changes between final approval and closing. Lenders re-verify employment and may check credit again right before closing. A new car loan or maxed-out credit card can delay or even derail your closing.*

## Closing Day Checklist

### Before Closing:

- Final walk-through completed
- Wire transfer instructions confirmed by phone with the title company
- Homeowners insurance policy purchased
- Utilities scheduled to transfer to your name
- Moving company/truck reserved

### Bring to Closing:

- Valid photo ID
- Cashier's check for your cash to close (if not wiring—confirm with the title company)
- Checkbook for any last-minute adjustments

### What You'll Sign:

- **Promissory Note** — your promise to repay the loan
- **Deed of Trust** — gives the lender a lien on the property (Texas's version of a mortgage)
- **Closing Disclosure** — final breakdown of all costs
- Various disclosures and affidavits

The seller signs the **deed**, which transfers ownership to you.

### What You'll Pay:

- Down payment
- Closing costs
- Prepaid items (insurance, interest, escrow reserves)
- Payment method: wire transfer or cashier's check (confirm with the title company)

### Duration:

- Typically 1–2 hours to sign all documents
- Be prepared to sign 50–100+ pages

## At Closing

- Ask questions about anything unclear
- Sign all documents
- Receive the keys to your new home, garage door openers, and access codes (once the loan funds)
- Get a copy of all signed documents

## After Closing

The title company:

- Records the deed with the county
- Transfers funds to the seller
- Pays off the seller's existing mortgage (if applicable)
- Distributes funds to real estate agents, the lender, and others

**Official ownership:** Once the loan funds and the deed is recorded with the county (usually the same or next business day), you are the official owner of record.

> ***Lender Insight:***
>
> *Plan to take closing day off work if possible. While the signing appointment is typically 1–2 hours, you'll want time to do your final walk-through, review documents carefully, and not feel rushed.*

## Common Closing Day Issues (and How to Avoid Them)

> ***Critical: Wire Transfer Fraud***
>
> *Scammers send fake emails with fraudulent wiring instructions. Always call the title company directly, using a phone number you have verified independently, to confirm wiring instructions. Never trust email alone.*

### Funding Delays:

- Wire transfers must be sent early (often by 2 p.m.) for same-day closing
- Cashier's checks should be obtained the day before
- Confirm the exact amount needed with the title company 24 hours in advance

### Last-Minute Credit Issues:

- Don't open new credit accounts
- Don't make large purchases
- Don't change jobs
- Don't move money between accounts without documentation

### Document Errors:

- Review your Closing Disclosure carefully when you receive it (at least 3 business days before closing)
- Compare it to your Loan Estimate
- Question any unexpected fees or changes

## What Happens After You Buy: Refinancing & Long-Term Strategy

Homeownership doesn't stop at closing. Over time, many homeowners explore refinancing to better align their mortgage with changing goals.

### Common reasons homeowners refinance:

- Lower interest rates
- Reduced monthly payments
- Switching from FHA to conventional to remove mortgage insurance
- Accessing equity for home improvements or other needs (Texas has special rules for cash-out loans on a homestead)
- Shortening the loan term

> ***Lender Insight:***
>
> *Refinancing isn't about timing the market—it's about aligning your loan with your long-term plans. When the time is right, a personalized review can help determine whether refinancing makes sense for you.*

**Questions About Closing Day?**

Call or Text Chet: (830) 642-1507

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CHAPTER 15

# TEXAS PROPERTY TAXES AND SCHOOL TAXES EXPLAINED

## Understanding Two Separate Taxing Authorities

In Texas, there is no state property tax. Instead, property owners pay taxes to two distinct types of local taxing authorities:

### 1. General Local Government (Primary Property Tax)

Cities and counties levy property taxes to fund essential services such as roads, police, fire protection, libraries, and infrastructure.

### 2. Independent School Districts (School Tax)

Public school districts operate as independent taxing entities, completely separate from city and county governments. They have their own legal authority to set tax rates and levy taxes to fund local public education, including teacher salaries, facility maintenance, and operational costs.

## How You Receive Your Tax Bill

Many Texas counties have consolidated property tax collections. Most homeowners receive a single, combined tax bill from the county tax assessor-collector that includes county, city, and Independent School District (ISD) taxes—rather than separate bills from each entity. (The Central Appraisal District, or CAD, sets your property's value; the tax assessor-collector sends the bill.)

However, some local school districts choose to bill directly for supplemental tax items not included in the primary consolidated bill. This means you may receive an additional tax bill from your school district.

## School Taxes: The Largest Portion of Your Bill

School taxes typically represent the largest share of your total property tax burden—often more than 50% of the total amount you pay. This reflects Texas public education's heavy reliance on local property tax funding. Whether on a consolidated bill or a separate statement, you'll see school taxes reflected as a separate line item.

***Critical Information for Mortgage Qualification***

*Lenders commonly use only the county's consolidated bill when calculating your debt-to-income (DTI) ratio and estimated monthly housing payment. Supplemental school district bills that arrive separately are typically not included in this calculation, even though you are legally required to pay them.*

***What this means for you:*** *If your school district sends a separate supplemental tax bill, your actual annual property tax obligation will be higher than what your lender factored into your monthly payment estimate. Review your county's tax collection process and budget accordingly to avoid financial surprises when additional tax bills arrive.*

## Texas Property Tax Basics

**Average effective rate:** roughly 1.6–2.0% of home value annually (varies by county and district)

**Example:** $300,000 home = $4,800–$6,000 per year in property taxes ($400–$500 per month) before exemptions

### Why are they so high?

- No state income tax—property taxes fund schools and local services
- Local school districts set their own rates
- Multiple taxing entities (county, city, school, hospital district, etc.)

## Texas Homestead Exemption (2026)

The standard school district homestead exemption is $140,000 off your home's taxable value for school taxes—a significant savings.

- **Over-65 or disabled exemption:** An additional $60,000 school exemption, plus a school tax ceiling (often called a freeze)
- **10% appraisal cap:** Limits annual increases in your homestead's appraised value to 10% (plus new improvements) for tax purposes
- **Primary residence:** You must occupy the property as your primary residence
- **Apply:** File with your county appraisal district (CAD). Filing between January 1 and April 30 ensures timely processing; late filing may still be possible

### Example savings:

$300,000 home with the $140,000 school exemption: taxable value for school taxes is $160,000 instead of $300,000. Depending on your school district's tax rate, that typically saves roughly $1,200–$1,800 per year in school taxes. Cities and counties may offer their own, separate homestead exemptions.

## How to File for Homestead Exemption

- The home must be your primary residence
- File with your county appraisal district (most CADs accept online applications)
- Deadline: April 30 of the year after you move in for on-time filing (you can file in the year you buy, once you occupy the home)
- One-time filing (stays in effect as long as you own and live in the home)
- Provide a Texas driver's license or ID showing the property address

## When Property Taxes Are Due

- Tax bills are typically mailed in October
- Payment deadline: January 31 of the following year
- Supplemental school district bills may arrive separately (check your local district)
- Late payment: 7% penalty and interest added in February, with additional penalties each month thereafter

> ***Tip***
>
> *If your mortgage includes an escrow account, your lender pays these taxes on your behalf. If you're paying taxes yourself, save monthly to avoid a large year-end bill.*

**Questions About Texas Property Taxes?**

Call Chet for local tax info: (830) 642-1507

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CHAPTER 16

# TEXAS DOWN PAYMENT ASSISTANCE PROGRAMS

## The Down Payment Challenge

For many buyers, saving for a down payment is the biggest obstacle to homeownership. Texas buyers have access to state, local, and lender-sponsored assistance programs that can provide $5,000–$15,000+ in grants or second-lien loans to help qualified buyers.

> ***Lender Insight:***
> *Many borrowers don't realize they qualify until they ask. Income limits are often higher than expected, and programs aren't just for low-income buyers.*

## How Down Payment Assistance Works

DPA programs typically provide funds in three ways:

### 1. Grants

- No repayment required
- Applied to down payment and/or closing costs

### 2. Forgivable Second Loans

- A second lien on your property
- Forgiven after a set period of occupancy (often 3–10 years)
- Must be repaid if you sell or refinance before then
- No monthly payment during the forgiveness period

### 3. Repayable Second Loans

- A second lien that is repaid—either with a small monthly payment or deferred until you sell, refinance, or pay off the first mortgage
- Often offers larger amounts or more flexible guidelines

> ***Lender Insight:***
> *DPA loans often carry a somewhat higher interest rate on the first mortgage than a comparable loan without assistance. Compare the total cost—not just the cash saved at closing—so you choose the option that fits how long you plan to stay.*

## Common Eligibility Requirements

Many DPA programs require some or all of the following:

- First-time homebuyer (haven't owned a home in the past 3 years)—though many programs don't require this
- Income limits (vary by county and household size—often $75,000–$110,000+)
- Minimum credit score, often 620–640 (may be lower with compensating factors)
- Homebuyer education course (online or in person) may be required
- Primary residence (you must live in the home)
- An approved lender (not all lenders offer DPA programs)

## How to Apply

1. **Work with an approved DPA lender** to verify you meet the income limits for your county, get pre-approved for your primary mortgage, and reserve DPA funds (often first-come, first-served).
2. **Find a home** that meets program requirements.
3. **Close** with DPA funds applied to reduce the cash you need.

## Common Myths

**MYTH: "I make too much money to qualify."**

REALITY: Many programs allow household incomes of $75,000–$110,000+, depending on county and family size—and some lender programs have no income limit at all.

**MYTH: "I have to pay the money back."**

REALITY: Not always. Grants never need to be repaid, and forgivable seconds disappear after the required occupancy period. Some programs are repayable, so it pays to compare.

**MYTH: "The process is too complicated."**

REALITY: Your lender handles the paperwork—you typically just need a homebuyer education certificate (if required) and standard loan documents.

### Think You Might Qualify?

Get Your Free DPA Eligibility Review — no obligation, no cost. Just real answers about what's available to you right now.

Call or Text: (830) 642-1507 | Schedule a Consultation

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CHAPTER 17

# READY TO START?

You've learned the essentials of buying a home in Texas. Now it's time to take action.

## Your Next Steps

1. Get Pre-Approved. Know your buying power before house hunting. Pre-approval demonstrates to sellers that you're serious and helps you focus on homes you can afford.
2. **Find a Real Estate Agent.** A licensed agent will help you find homes, negotiate offers, and navigate contracts.
3. **Start House Hunting.** With pre-approval in hand, tour homes within your budget. Take your time—finding the right home is worth the wait.
4. **Make an Offer.** Work with your agent to craft a competitive offer. Your lender will coordinate financing to support your timeline.
5. **Complete Inspections.** Hire a professional inspector and attend the inspection. Use the findings to negotiate repairs or credits.
6. **Close on Your Home.** Sign documents, pay closing costs, and get your keys. You're officially a homeowner!

## Timeline: Pre-Approval to Keys

Typical timeline: about 2–4 months from pre-approval to closing

- **Weeks 1–2:** Pre-approval and assembling your team
- **Weeks 2–8:** House hunting and making an offer
- **First 7–10 days under contract:** Option period and inspections
- **Next 3–5 weeks:** Appraisal, underwriting, and final approval
- **30–45 days after contract:** Closing day!

Timelines vary by market and loan type. Some loans close in as little as 21 days after contract; others take longer.

## Common Mistakes to Avoid

- House hunting before getting pre-approved
- Maxing out your budget
- Skipping the home inspection
- Making major purchases before closing
- Not shopping for insurance early enough
- Assuming you don't qualify for down payment assistance

### You're Ready. Let's Get Started.

The journey to homeownership starts with pre-approval. I'm here to guide you through every step.

**Chet Hearn, Senior Mortgage Advisor**
Licensed throughout Texas — locally rooted in Kerrville, San Antonio, Boerne, Fredericksburg & the Texas Hill Country

Call or Text: (830) 642-1507
Email: chet@coast2coastml.com
Website: www.chethearn.com

Get Pre-Qualified · Start Your Application · Book Your Free Consultation · Calculate Your Payment

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# THANK YOU FOR READING

I hope this guide has made buying a home in Texas feel clearer, more manageable, and a lot less stressful. Wherever you are in the process, you now know the questions to ask and what to expect at each step.

### Did This Guide Help You?

If you found it useful, please share it with a friend, family member, or coworker who is thinking about buying a home in Texas.

## Ready when you are.

When you're ready to take the next step, I'd be glad to help you explore your options—no pressure, no obligation.

**Chet Hearn**, Senior Mortgage Advisor | NMLS #1931461
Call or Text (830) 642-1507 | chet@coast2coastml.com | chethearn.com

# HOMEBUYER WORKSHEETS

These 14 worksheets turn what you've read into a plan. Use them as you go—each one points back to the chapter it goes with.

***How to Use the Worksheets***

- Work through them in order, or jump to the one you need right now.
- Write in pencil—numbers change as you get quotes and estimates.
- Bring your completed budget and document checklist to your first conversation with your loan officer.

1. My Homebuying Team & Key Dates
2. Monthly Budget & Debt-to-Income
3. Down Payment Savings Plan
4. Credit Score Action Plan
5. Estimated Monthly Payment (PITI)
6. Cash-to-Close Estimator
7. Loan Document Checklist
8. My Home Wish List
9. House-Hunting Scorecard
10. House-Hunting Scorecard (continued)
11. Inspection Notes & Repair Requests
12. Homeowners Insurance Quote Comparison
13. Closing Countdown
14. After You Move In

**Prefer to Type?**

Download the fillable version of these worksheets free at **chethearn.com/guide**—type into them on your computer, save, and print as many copies as you need.

WORKSHEET 1

# MY HOMEBUYING TEAM & KEY DATES

Keep everyone's contact information and your important deadlines in one place.

| Role | Name | Phone | Email |
|---|---|---|---|
| Loan Officer | | | |
| Real Estate Agent | | | |
| Title Company / Escrow Officer | | | |
| Home Inspector | | | |
| Insurance Agent | | | |
| Appraiser (if known) | | | |
| Other | | | |

## Key Dates

| Milestone | Date | Done |
|---|---|---|
| Pre-approval issued | | |
| Offer accepted (contract date) | | |
| Option period ends | | |
| Inspection | | |
| Appraisal ordered / completed | | |
| Financing contingency deadline | | |
| Insurance policy bound | | |
| Closing Disclosure received | | |
| Final walk-through | | |
| Closing day | | |

WORKSHEET 2

# MONTHLY BUDGET & DEBT-TO-INCOME (DTI)

Use this worksheet with Chapter 1 to see how a house payment fits your budget. Lenders use **gross** (before-tax) income.

| Monthly Gross Income | Amount |
|---|---|
| Borrower | |
| Co-borrower | |
| Other income | |
| **Total income (A)** | |

| Monthly Debt Payments | Amount |
|---|---|
| Car loan(s) | |
| Student loan(s) | |
| Credit card minimums | |
| Personal loans | |
| Child support / alimony | |
| Other | |
| **Total debts (B)** | |

| Proposed Housing Payment | Amount |
|---|---|
| Principal & interest | |
| Property taxes | |
| Homeowners insurance | |
| Mortgage insurance | |
| HOA dues | |
| **Total housing (C)** | |

**Front-end ratio**

C ÷ A = _____ %

**Back-end (total) DTI**

(B + C) ÷ A = _____ %

Benchmarks: 28% front-end / 36% back-end. Many programs allow up to 43–50% with strong compensating factors.

**Comfortable payment I'm targeting:**

$ _____ /month

WORKSHEET 3

# DOWN PAYMENT SAVINGS PLAN

Set a goal, pick a target date, and track your progress month by month (see Chapter 3).

Target home price: $ _____ × down payment % _____ = Down payment goal $ _____

+ Estimated closing costs (2–5%) $ _____ − Expected assistance / seller credits $ _____

**Total cash goal** $ _____ Target date _____ **Monthly savings needed** $ _____

| Month | Deposited | Windfalls (refunds, bonuses, gifts) | Running total | On track? |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
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| | | | | |
| | | | | |

Gift funds and large deposits need a paper trail—keep gift letters and deposit records.

WORKSHEET 4

# CREDIT SCORE ACTION PLAN

Track your scores and the steps you're taking before you apply (see Chapter 2).

| | Equifax | Experian | TransUnion | Date checked |
|---|---|---|---|---|
| Starting score | | | | |
| Score after 30 days | | | | |
| Score after 60 days | | | | |

## Items to Address

| Account / item | Issue (balance, late payment, error) | Action | Done |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

## My 30-Day / 60-Day Checklist

- ☐ Pulled free reports at AnnualCreditReport.com
- ☐ Disputed any errors
- ☐ Paid card balances below 30% (goal: under 10%)
- ☐ Set up automatic payments on every account
- ☐ Asked my loan officer before paying any old collections
- ☐ No new credit applications until after closing

WORKSHEET 5

# ESTIMATED MONTHLY PAYMENT (PITI)

Estimate your full monthly payment for a home you're considering. Your loan officer can provide exact figures.

| Loan Details | |
|---|---|
| Purchase price | |
| Down payment ($ / %) | |
| Loan amount | |
| Loan program | |
| Interest rate (estimate) | |
| Loan term (years) | |

| Monthly Payment | Amount |
|---|---|
| Principal & interest | |
| Property taxes (annual ÷ 12) | |
| Homeowners insurance (annual ÷ 12) | |
| Mortgage insurance (MI/PMI/MIP) | |
| Flood insurance (if required) | |
| HOA dues | |
| **Total monthly payment** | |

## Property Tax Estimate

Home value $ _____ × local tax rate _____ % = $ _____ per year ÷ 12 = $ _____ per month

Remember the $140,000 school homestead exemption (Chapter 15) and ask whether your school district sends a separate supplemental bill.

## Notes

WORKSHEET 6

# CASH-TO-CLOSE ESTIMATOR

Estimate the total amount you'll bring to closing (see Chapter 12). Compare it with your Loan Estimate.

| Item | Estimate | From Loan Estimate |
|---|---|---|
| Down payment | | |
| Lender fees (Section A) | | |
| Third-party services (Sections B & C) | | |
| Government recording fees (Section E) | | |
| Prepaid items (Section F) | | |
| Initial escrow deposit (Section G) | | |
| **Subtotal** | | |
| − Earnest money already deposited | | |
| − Seller concessions / credits | | |
| − Lender credits | | |
| − Down payment assistance | | |
| **Estimated cash to close** | | |

## Where the Money Is Coming From

| Account / source | Amount | Statements ready? |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

Wire fraud warning: always confirm wiring instructions by phone with your title company using a number you've verified yourself.

WORKSHEET 7

# LOAN DOCUMENT CHECKLIST

Gather these before you apply to speed up your pre-approval (see Chapter 8). Check with your loan officer for program-specific items.

## Income

- [ ] W-2s — last 2 years
- [ ] Pay stubs — last 30 days
- [ ] Tax returns — last 2 years (self-employed)
- [ ] Year-to-date profit & loss (self-employed)
- [ ] Award letters (Social Security, pension, VA)
- [ ] Proof of other income (rental, alimony)

## Assets

- [ ] Bank statements — last 2 months, all pages
- [ ] Investment account statements
- [ ] Retirement account statements
- [ ] Gift letter and donor's bank statement
- [ ] Earnest money receipt

## Identification

- [ ] Driver's license or state ID
- [ ] Social Security number
- [ ] DD-214 or Certificate of Eligibility (VA)

## Other (if applicable)

- [ ] Divorce decree / settlement agreement
- [ ] Child support or alimony order
- [ ] Bankruptcy discharge papers
- [ ] Landlord contact / rent payment history
- [ ] Letters of explanation (credit, gaps, deposits)
- [ ] Homebuyer education certificate (DPA)

## Notes

WORKSHEET 8

# MY HOME WISH LIST

Decide what matters most before you start touring (see Chapter 9). Share it with your agent.

## Must-Haves

## Nice-to-Haves

## Deal-Breakers

## Location Priorities

| Priority | Details |
|---|---|
| Areas / neighborhoods | |
| School district | |
| Max commute time | |
| City water/sewer vs. well/septic OK? | |
| HOA OK? Max monthly dues | |

WORKSHEET 9

# HOUSE-HUNTING SCORECARD

Rate each home right after the showing, while it's fresh. Compare scores before making an offer (see Chapters 9–10).

| | Home A | Home B | Home C |
|---|---|---|---|
| Address | | | |
| List price | | | |
| Beds / baths / sq ft | | | |
| Year built / roof age | | | |
| Property tax rate | | | |
| HOA dues | | | |
| Flood zone? | | | |
| Water / sewer | | | |
| Commute | | | |
| Condition (1–5) | | | |
| Location (1–5) | | | |
| Layout (1–5) | | | |
| Est. monthly payment | | | |
| Overall (1–10) | | | |
| Notes | | | |

WORKSHEET 10

# HOUSE-HUNTING SCORECARD (CONTINUED)

Use this page for additional homes you tour.

| | Home D | Home E | Home F |
|---|---|---|---|
| Address | | | |
| List price | | | |
| Beds / baths / sq ft | | | |
| Year built / roof age | | | |
| Property tax rate | | | |
| HOA dues | | | |
| Flood zone? | | | |
| Water / sewer | | | |
| Commute | | | |
| Condition (1–5) | | | |
| Location (1–5) | | | |
| Layout (1–5) | | | |
| Est. monthly payment | | | |
| Overall (1–10) | | | |
| Notes | | | |

WORKSHEET 11

# INSPECTION NOTES & REPAIR REQUESTS

Record findings during and after your inspection. Decide what to request before your option period ends (see Chapter 11).

Inspection date _____ Inspector _____ **Option period ends** _____

| Item / location | Finding | Severity (major / moderate / minor) | Request (repair / credit / price / accept) |
|---|---|---|---|
| | | | |
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## Specialized Inspections Needed?

- ☐ Structural engineer
- ☐ Roof
- ☐ Septic
- ☐ Well
- ☐ Pest / termite
- ☐ HVAC

WORKSHEET 12

# HOMEOWNERS INSURANCE QUOTE COMPARISON

Shop at least 3–5 companies 30–45 days before closing (see Chapter 13). Compare coverage, not just price.

| | Quote 1 | Quote 2 | Quote 3 |
|---|---|---|---|
| Company / agent | | | |
| Phone | | | |
| Annual premium | | | |
| Dwelling coverage | | | |
| Replacement cost? | | | |
| Personal property | | | |
| Liability | | | |
| All-perils deductible | | | |
| Wind/hail deductible | | | |
| Flood coverage (separate)? | | | |
| Discounts applied | | | |
| Notes | | | |

## Before You Choose

- ☐ Coverage meets my lender's requirement
- ☐ Lender listed as mortgagee
- ☐ Policy effective on closing day
- ☐ Asked the seller for the CLUE (claims history) report
- ☐ Sent policy information to my loan officer

WORKSHEET 13

# CLOSING COUNTDOWN

Stay on track during the final weeks before closing (see Chapter 14).

## 30 Days Out

- ☐ Respond quickly to underwriting requests
- ☐ Shop and select homeowners insurance
- ☐ Schedule movers
- ☐ Pack a first-night box (medications, chargers, toiletries, sheets, basic tools)
- ☐ Avoid new credit and large purchases

## 2 Weeks Out

- ☐ Bind insurance and send it to your lender
- ☐ Confirm closing date and time
- ☐ Schedule utility transfers
- ☐ Confirm repairs are scheduled or complete

## 3 Days Out

- ☐ Review your Closing Disclosure against your Loan Estimate
- ☐ Confirm exact cash-to-close amount
- ☐ Verify wiring instructions **by phone**
- ☐ Arrange wire or cashier's check

## Closing Day

- ☐ Final walk-through
- ☐ Bring photo ID
- ☐ Sign documents — ask questions!
- ☐ Collect keys, openers, and codes
- ☐ File homestead exemption (after you move in)

## Utilities: Stop & Start

| Utility | Provider | Phone | Stop (old address) | Start (new home) |
|---|---|---|---|---|
| Electric | | | | |
| Water / sewer | | | | |
| Gas or propane | | | | |
| Internet / TV | | | | |
| Trash | | | | |
| Well / septic service | | | | |

WORKSHEET 14

# AFTER YOU MOVE IN: NEW HOMEOWNER CHECKLIST

Your first months as a Texas homeowner. Keep this page with your closing documents.

## First Week

- [ ] Change or rekey all exterior locks
- [ ] Reset garage door and gate codes
- [ ] Confirm utilities, internet, and trash service are in your name
- [ ] Locate the water shut-off, breaker panel, and gas shut-off
- [ ] Test smoke and carbon monoxide detectors
- [ ] Store closing documents in a safe place (and a digital copy)

## First Month

- [ ] Watch for your first mortgage statement and set up autopay
- [ ] Update your address (USPS, bank, employer, DMV)
- [ ] Register to vote at your new address
- [ ] Review your homeowners policy declarations page
- [ ] Note your first payment due date: _____

## Texas To-Dos

- [ ] File your homestead exemption with your county appraisal district
- [ ] Over 65 or disabled? Ask about the additional exemption and tax ceiling
- [ ] Watch for your appraisal notice (spring) and protest deadline
- [ ] Confirm your escrow covers taxes and insurance
- [ ] If on a well/septic: schedule service and water testing

## Seasonal Maintenance

- [ ] Replace HVAC filters every 1–3 months
- [ ] Service A/C before summer, heat before winter
- [ ] Clean gutters and check the roof after storms
- [ ] Check foundation and drainage after heavy rain
- [ ] Flush the water heater once a year

## Important Numbers

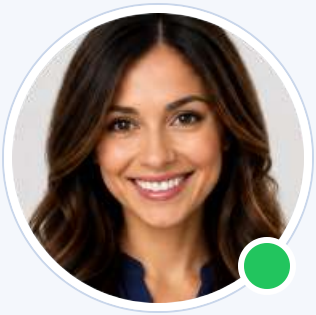
| Account | Phone / website | Account # |
|---|---|---|
| Mortgage servicer | | |
| Homeowners insurance | | |
| Electric / water / gas | | |
| HOA | | |

# NOTES

# NOTES

# HAVE A MORTGAGE QUESTION?

Get answers when you need them.



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CHAPTER 18

# GLOSSARY OF MORTGAGE TERMS

**Adjustable-Rate Mortgage (ARM)**
A mortgage with an interest rate that can change periodically based on market conditions. The initial rate is typically lower than a fixed-rate mortgage but can increase over time.

**Appraisal**
A professional assessment of a property's market value conducted by a licensed appraiser. Required by lenders to ensure the home is worth the loan amount.

**Appraisal Contingency**
A clause in your purchase contract allowing you to renegotiate or walk away if the home appraises for less than the offer price.

**APR (Annual Percentage Rate)**
The total cost of your loan expressed as a yearly rate, including both interest and certain lender fees. More useful than the interest rate alone for comparing the true cost of different loan options.

**CAD (Central Appraisal District)**
The county agency in Texas responsible for determining property values for tax purposes and processing homestead exemptions. Tax bills are issued by the tax assessor-collector.

**Cash to Close**
The total amount of money you must bring to closing, including down payment, closing costs, and prepaid items, minus any credits, seller concessions, and earnest money already deposited.

**Closing**
The final step in a real estate transaction, where ownership transfers from seller to buyer. All documents are signed and funds are exchanged.

**Closing Costs**
Fees required to finalize your mortgage, typically 2–5% of the purchase price in Texas. Includes lender fees, title insurance, appraisal, recording fees, and prepaid items.

**Closing Disclosure (CD)**
A detailed, standardized form showing your final loan terms and closing costs. Must be provided at least 3 business days before closing.

**Comparable Sales (Comps)**
Recently sold properties similar to the home you're buying, used to determine fair market value.

**Contingency**
A condition in your purchase contract that must be met for the sale to proceed. Common contingencies include financing, inspection, and appraisal.

### Conventional Loan
A mortgage not insured by the federal government. Typically requires higher credit scores (620+) and requires PMI if the down payment is less than 20%.

### Credit Score
A numerical rating (300–850) representing your creditworthiness based on your credit history. Higher scores qualify for better interest rates.

### Debt-to-Income Ratio (DTI)
The percentage of your gross monthly income that goes toward debt payments. Lenders use this to determine how much you can borrow. Most loans require a DTI below 43–50%.

### Deed
The legal document, signed by the seller, that transfers property ownership to the buyer. Recorded with the county after closing.

### Deed of Trust
A legal document giving the lender a lien on your property as security for the loan. Used in Texas in place of a mortgage.

### Down Payment
The portion of the purchase price you pay upfront, typically 0–20% of the home's price. Not included in your loan amount.

### Down Payment Assistance (DPA)
Programs offering grants or second-lien loans (forgivable or repayable) to help qualified buyers cover down payment and closing costs.

### Earnest Money
A deposit (typically 1–2% of the purchase price in Texas) showing you're serious about buying. Held in escrow and applied toward your purchase at closing. May be refunded if the contract terminates under a contingency or during the option period.

### Escrow
A neutral third-party account that holds funds until specific conditions are met. Also refers to the account your lender uses to collect and pay property taxes and insurance.

### FHA Loan
A mortgage insured by the Federal Housing Administration. Allows lower credit scores (580+) and down payments as low as 3.5%, but requires mortgage insurance.

### Financing Contingency
A clause protecting you if your loan falls through. Allows you to recover your earnest money if you can't secure financing.

### Fixed-Rate Mortgage
A mortgage with an interest rate that remains the same for the entire loan term (typically 15 or 30 years).

### Flood Insurance
A separate insurance policy covering flood damage, which is not included in standard homeowners insurance. Required if the home is in a FEMA-designated flood zone.

### Forgivable Loan
A loan (typically for down payment assistance) that is completely forgiven after you live in the home for a specified period.

### HOA (Homeowners Association)
An organization that enforces rules and maintains common areas in a neighborhood or condo complex. Charges monthly or annual fees.

### Home Inspection
A professional examination of a property's condition, including structural, mechanical, and safety issues. Highly recommended before purchasing.

### Homestead Exemption
A Texas tax benefit that reduces the taxable value of your primary residence—$140,000 for school taxes as of 2026. Must be applied for with your county appraisal district.

### Inspection Contingency
A clause allowing you to negotiate repairs or walk away if significant issues are discovered during the home inspection. In Texas, this protection is usually provided by the option period.

### Interest Rate
The percentage charged by the lender for borrowing money, expressed as an annual rate. Does not include other loan costs (see APR).

### Lender Credit
Money the lender applies toward your closing costs, typically in exchange for accepting a slightly higher interest rate.

### Loan Estimate (LE)
A standardized 3-page form lenders must provide within 3 business days of application. Shows estimated loan terms, interest rate, monthly payment, and closing costs.

### Loan-to-Value Ratio (LTV)
The percentage of the home's value you're borrowing. Example: $270,000 loan on a $300,000 home = 90% LTV.

### MIP (Mortgage Insurance Premium)
Insurance required on FHA loans to protect the lender if you default. Includes an upfront premium (1.75% of the loan) and an annual premium (paid monthly).

### Option Period (Texas)
A negotiated period (typically 7–10 days) after contract execution during which the buyer can terminate for any reason and receive their earnest money back. The option fee ($100–$500, paid to the seller) is not refunded but is credited toward the purchase if you close.

**PITI**
Principal, Interest, Taxes, and Insurance—the four main components of your monthly mortgage payment.

**PMI (Private Mortgage Insurance)**
Insurance required on conventional loans with less than a 20% down payment. Protects the lender if you default. Can be removed once you reach 20% equity.

**Pre-Approval**
A lender's verification of your financial information and credit, stating the maximum amount you're qualified to borrow. Much stronger than pre-qualification.

**Pre-Qualification**
An informal estimate of how much you might be able to borrow, based on self-reported financial information. Less reliable than pre-approval.

**Principal**
The amount of money you borrow (loan amount), not including interest.

**Promissory Note**
Your written promise to repay the loan according to the agreed-upon terms.

**Property Taxes**
Annual taxes based on your home's appraised value, used to fund local services including schools. In Texas, typically 1.6–2.0% of home value annually.

**Seller Concessions**
Contributions from the seller toward the buyer's closing costs, negotiated in the purchase contract. Subject to limits based on loan type (typically 3–9% of the purchase price).

**TDHCA (Texas Department of Housing and Community Affairs)**
State agency that offers the My First Texas Home down payment assistance program.

**Title Insurance**
Insurance protecting you and your lender against ownership disputes, liens, or defects in the property's title. A lender's policy is required for closing; an owner's policy protects you.

**Title Search**
An examination of public records to verify the seller legally owns the property and there are no liens or claims against it.

**TREC (Texas Real Estate Commission)**
State agency that licenses and regulates real estate agents, brokers, and home inspectors in Texas, and publishes the standard purchase contract forms.

**TSAHC (Texas State Affordable Housing Corporation)**
State-chartered nonprofit offering homebuyer assistance programs, including Homes for Texas Heroes and Home Sweet Texas.

### TWIA (Texas Windstorm Insurance Association)

Provider of windstorm and hail insurance for coastal Texas properties where standard policies exclude wind coverage.

### Underwriting

The lender's process of verifying your financial information, evaluating risk, and making a final decision on your loan approval.

### USDA Loan

A government-backed mortgage for rural and suburban properties. Offers 0% down for eligible buyers in designated areas, with income limits.

### VA Loan

A mortgage guaranteed by the Department of Veterans Affairs for eligible veterans, active-duty service members, and surviving spouses. Offers 0% down and no monthly mortgage insurance.

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*This guide is for educational purposes only. Loan programs, rates, and requirements are subject to change. This is not tax or legal advice; consult your county appraisal district or a tax professional for property-tax questions. All loans are subject to credit approval. Consult a licensed mortgage professional for personalized advice.*

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