

Homeownership Guide



**Helping you navigate your home
purchase one step at a time!**

Welcome to our homeownership guide!

Do your long-term goals include a welcoming, secure home for your family, the ability to profit from your home purchase and home improvement investments, and the potential to live rent and mortgage free one day? Homeownership may be the perfect fit for you!

Join Eastbrook Homes as we walk through the most important financial aspects of becoming a new homeowner. We'll share our best resources, tips, and expert advice so you can feel confident about taking the leap into homeownership. Ready to invest in your future by purchasing your own home? Let's get started!

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TIP!

Our Eastbrook Homes Interactive Homeownership Guide is intended to be a living document that evolves throughout your homeownership journey. Links can be found throughout this guide to direct you to additional online resources; we also encourage you to print a copy for support during meetings with your lenders and Eastbrook Homes Sales Agent. Don't be afraid to jot down additional questions in the note spaces provided. We're here to help!



Definitions

Before we begin, let's walk through some common terms you'll encounter throughout your homeownership journey.

Mortgage Principal

The total amount of money you've borrowed to purchase your home. In most monthly mortgage payment structures, only a portion of your monthly payment goes toward paying off your mortgage principal; remaining funds go toward taxes, fees, and insurance.

Private Mortgage Insurance (PMI)

Think of this payment as an additional layer of protection for the lenders. PMI is typically required by lenders when homeowners are unable to put 20% down on the purchase of their home. PMI goes directly to lenders for financial protection against loan default. PMI payments are usually bundled within your monthly mortgage statement, and can be removed once 20% equity is achieved.

Homeowner's Insurance

Protects homeowners against financial loss when unexpected events occur, such as a fire, burglary, or storm damage. Most lenders require homeowner's insurance to protect their investment.

Mortgage Escrow Account

An account lenders establish and maintain to deposit/retain part of your monthly mortgage payment. Funds in this account cover additional homeowner-related costs like PMI, real estate taxes, or homeowner's insurance premiums.

[More on next page...]





Need help on...?

Mortgage Servicer

The entity, company, or person who handles your mortgage payments, statements, escrow accounts, and homeowner inquiries.

Down Payment

Cash/non-borrowed/liquid funds homeowners pay upfront when purchasing and closing on a home. Most lenders prefer homeowners put down at least 20% of the home purchase price when buying a home.

Loan Program

A loan specifically designed for homebuying and defined by specific terms like length (30-year loan, 15-year loan), type (conventional, non-conforming, FHA, VA), and rate (fixed, adjustable).

Loan Estimate

A form provided by potential lenders that outlines terms, specifics, and fees related to the loan program they're offering you.

Pre-Approval

A statement issued by a lender confirming you are generally qualified and financially stable enough to pay back a home loan.

Which loan features (conventional loan terms, escrow account for homeowner's insurance, avoiding PMI) matter most to you?

List them here.

Series of horizontal dotted lines for writing.

TIP!



The state of Michigan maintains specific laws and regulations pertaining to mortgages, homebuying disclosures, loan documents, maximum interest rates, and lender requirements.

[Check out the frequently asked questions page on Michigan.gov for more info!](#)



Mortgage Calculator

The first step in owning your own home is determining how much home you can afford. Mortgage calculators allow potential homeowners to estimate their monthly mortgage payments and weigh the expense against their household budget and income.

Most monthly mortgage payment estimation tools including:



[Eastbrook Homes' free online mortgage calculator](#)

utilize these standard value fields:

- **Total Amount**

The total estimated amount of your home loan or future home loan.

- **Down Payment**

Remember, most traditional loan programs require a 20% down payment to qualify for the loan - more on this later!

- **Interest Rate**

Interest rates fluctuate depending on the market and economy at the time of purchase. See page 5 for more details!

- **Loan Program/Length of the Loan**

Traditional loan programs typically offer two term length options, 30 years or 15 years.

TIP!



Try experimenting with mortgage calculator values to see how slight changes to your interest rates, loan length, and loan amount affect your monthly payment and long-term goals. Use these calculations to set achievable goals in terms of loan options, savings projections, and your overall home budget.

Important considerations when calculating potential monthly mortgage payments

Purchase Timeframe

The timing of your purchase makes a big difference! Home prices, loan options, and interest rates all vary depending on the market and economy. Note your ideal purchase timeframe(s) here.

Income and Expense Fluctuations

Take a good look at your current financial situation and record any expected variances in your income or expenses. You want a very clear picture of your budget and financial capabilities before signing for a new home loan.

Long-Term Goals

Are you hoping to build equity in a home?
Are you needing lower monthly mortgage payments and more liquid assets to prepare for a growing family? Use this space to identify long-term goals affected by your home purchase.

Down Payments

Down payments impact a variety of elements throughout the homeownership journey, including loan program qualifications, monthly mortgage payment amounts, and even home offer acceptance. It pays to gather as many resources as possible to determine which down payment scenario works best for your individual financial situation and goals.

	30 Year Fixed	15 Year Fixed	7 Year ARM	30 Year Fixed	15 Year Fixed	7 Year ARM
Asking Price	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Down Payment	\$25,000 (5%)	\$25,000 (5%)	\$25,000 (5%)	\$100,000 (20%)	\$100,000 (20%)	\$100,000 (20%)
Total Loan	\$475,000	\$475,000	\$475,000	\$400,000	\$400,000	\$400,000
Interest Rate*	5.75%	4.75%	4.375%	5.875%	4.75%	4.375%
APR*	6.1132%	4.9752%	5.2425%	5.9173%	4.8396%	4.9906%
Principal & Interest	\$2,771.00	\$3,694.00	\$2,371.00	\$2,366.00	\$3,111.00	\$1,997.00
Property Tax	\$580.00	\$580.00	\$580.00	\$580.00	\$580.00	\$580.00
PMI	\$135.00	\$79.00	\$135.00	\$0.00	\$0.00	\$0.00
Insurance	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Term/ # of payments	360	180	360	360	180	360
Closing Costs	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Total Monthly Payment	\$3,586.00	\$4,453.00	\$3,186.00	\$3,046.00	\$3,791.00	\$2,677.00



Down Payment Sources

Use this space to list potential sources for your down payment (savings account, home sale, family investment, sale of personal property, etc).

TIP!

Increase your down payment possibilities by exploring creative options like employer homeownership assistance programs or seller concessions (credits provided by home sellers that buyers like you can use toward closing costs). Lenders like to see consistent bank statements, so plan ahead to get those down payment funds deposited into your accounts **at least two months** prior to applying for a home loan.



Interest Rates

In the world of homeownership, mortgage interest rates seem completely out of our control. Between inflation, economic hardship or growth, and [housing market health](#), home loan interest rates fluctuate based on a number of factors that homeowners often cannot change.

What homeowners can do, however, is position themselves for the best possible financial health to gain access to the best possible interest rates available. This means saving the new car purchase for another time, keeping a strict eye on your expenses compared to your income, and maintaining steady, consistent financial records from the start of your loan application to your closing date.

Homebuyer-controlled factors that impact interest rates include:

- Homebuyer credit scores
- Loan-to-value ratio (home loan amount compared to the appraised value of the home)
- Debt-to-income ratio (your total debt compared to your income)
- Down payment amount
- Loan type and terms

Adjustable Rate Mortgages

How does an adjustable-rate mortgage work?

With an adjustable-rate mortgage, your payments can increase or decrease with interest-rate changes, based on the terms of your individual loan and a benchmark rate index. In some cases, choosing an ARM over a fixed-rate mortgage could be a solid financial decision, potentially saving you thousands of dollars.

Low Payments in the Fixed-Rate Phase

A hybrid ARM offers potential savings in the initial, fixed-rate period. Common ARM terms are 3 years, 5 years, 7 years and 10 years. With a 7-year ARM, for example, your introductory interest rate is locked in for seven years before it can change. That gives you seven years of predictable, low payments.





Your Financial Priorities

Which financial health factors do you need to focus on the most?

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Flexibility

An ARM can be a good idea if your life is likely to change in the next few years—for instance, if you plan to move or sell the house. You can enjoy the ARM’s fixed-rate period and sell before it ends and the less-predictable adjustable phase starts.

How is the interest rate calculated?

An index is a benchmark used to determine a baseline interest rate. Every ARM loan is tied to an index. The index for your ARM is listed in your original loan documents. Margin is a fixed percentage that is added to the index rate to calculate the new interest rate. Margin + Index = Interest rate Example: Margin is 2.75% plus current CMT rate (index) of 2.94%. Your new interest rate would be 5.69%

How high can my interest rate go?

A hybrid ARM’s rate-adjustment periods are described in terms of the frequency of rate changes and the maximum amount the rate can fluctuate, known as caps. A 5/2/5 ARM can change by up to 5 percent upon the first adjustment, 2 percent thereafter, and by no more than 5 percent over the loan’s lifetime. For example, if your start rate is 4.125%, the maximum your rate could ever be is 9.125%

How low can my interest rate go?

Also known as lowest rate possible, is equal to the Margin of 2.75% so the rate could never go below 2.75%. To get this rate, the index (CMT) would have to be zero and the adjustment would have to be within the allowable range for the Caps.

TIP!



Every loan program contains a distinct set of pros and cons. Some loans offer a higher interest rate but require less money down, while others offer a lower interest rate but require a larger down payment to qualify. Evaluate your short and long term goals to determine which interest rate options best align with your needs.



Track your Lender Meetings

Use this chart to keep track of lender specifics

Lender Name #1

Lender Type Bank/Broker/Credit Union

Ft. Loan Programs Low-APR conventional/ARM/FHA

Discounts? Y/N/With homebuyer course

Loan Estimate Received? Yes/No

Notes:

Lender Name #2

Lender Type Bank/Broker/Credit Union

Ft. Loan Programs Low-APR conventional/ARM/FHA

Discounts? Y/N/With homebuyer course

Loan Estimate Received? Yes/No

Notes:

Working with a Lender

Choosing a lender is one of the most important steps of buying your own home. Every lender maintains their own set of preferred loan programs and partnerships. Ensure you find the best lender for your unique needs by meeting with several lenders and familiarizing yourself with every option available.



TIP!



Unsure what notes to take when meeting with potential lenders? Important items to look for when shopping for your perfect lender include special loan programs, discounts/discount qualifications, lender fees, customer service/loan officer accessibility, closing costs and lender-related fees, and loan terms (interest rates, down payment requirements, mortgage insurance requirements, etc).

Preferred Lenders

Did you know Eastbrook Homes partners with [preferred lenders](#) throughout West Michigan and the Greater Lansing Area? Our preferred lending partners are familiar with the [Eastbrook Homes Building Process](#) and hold years of experience helping Eastbrook families find, build, and purchase their dream homes.



Becky Sims
NMLS #906566

[Contact](#)

[Schedule Appointment](#)

Luther Trook
NMLS #445364

[Contact](#)

[Schedule Appointment](#)



Clinton Forester
NMLS #138084

[Contact](#)

Marcus Joseph
NMLS #436330

[Contact](#)



Joe Sambaer
NMLS #783176

[Contact](#)

Sam Fata
NMLS #880890

[Contact](#)

David Kuiper
NMLS #728171

[Contact](#)

TIP!



When meeting with potential lenders, don't forget to keep your short and long term goals at the forefront of your mind. Define and communicate what you hope to achieve with your home purchase so potential lenders can see the big picture and offer the best possible loan options for your family. Choose a lender who understands your goals and aligns their loan options and overall approach with your unique needs.

Avoiding Potential Pitfalls

Every homeownership journey incurs potential setbacks and hardships. Avoid complications by arming yourself with the info and proactive action steps needed for a smooth, easy home buying experience.

Important Things to Consider

Stable Finances and Bank Accounts

Lenders love to see consistent finances. A recent large purchase, drop in income, or change in expenditures will likely register as a red flag during your loan process. Keep your finances and account balances consistent for at least two months before applying for a home loan and until you close on your new home.

Documentation

The homeownership process relies on clear, organized documentation. Ensure your important papers (proof of income, bank statements, tax returns, marriage licenses) are accessible, organized, and stored both on paper and digitally.

Rushing Your Signature

The last thing you want to do is sign off on something you don't actually agree with. Never rush the signature process, even (and especially) when time is of the essence. Take your time to thoroughly read every document you're required to sign and ask questions when you don't understand something.

Financial Awareness

Taking on a home loan is a major responsibility. As a potential homeowner, it's up to you to take a deep dive into your financial capabilities and communicate your financial position with honesty, integrity, and complete awareness.

Foregoing Your Research

Applying for a mortgage can be overwhelming, especially when trying to research the best options for your family. Stay on track by creating an organized information system, like a binder, spreadsheet, or note on your phone. Take as much time as needed to thoroughly walk through each applicable possibility.



Need help on...?

Proactive Issue Identification

What areas of the home buying process carry the most risk for your family?

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Solution-Based Decisions

What steps can you take today to prevent pitfalls later?

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TIP!

Seeking professional housing help? The U.S. Department of Housing and Urban Development (HUD) provides an official list of housing counselors [on their website](#). Use their "Find a Counselor" tool to search for housing counselors by zip code and service specialty. HUD counselors assist homeowners with everything from buying a first home to budgeting and credit repair.



Frequently Asked Questions

It's normal to have lots of questions during your homeownership journey. Join us as we walk through the most common questions homebuyers have when navigating their home purchase.

Q: Should I find a lender before shopping for a home?

A: Yes! Nothing is more disheartening than falling in love with a home you later realize you cannot afford. Speaking with a lender beforehand organically compels you to take a hard look at your finances and work with a professional to establish a well-rounded, accurate, sustainable home budget. Then, when you've found your perfect home, you have everything needed to take the next steps!

Q: How many lenders should I speak with before deciding which lender to use?

A: Connect with at least three lenders to discuss your home loan options before deciding which route you'd like to take. Each lender has their own set of loan programs to choose from, interest rates to offer, and down payment requirements.

Q: What are the most common types of home loans?

A: Homeowners can choose from a variety of home loans when purchasing their house, but in general, home loans fall under one of five categories: conventional, fixed-rate, adjustable-rate, government-insured, and jumbo loans. Some loan categories overlap, such as conventional fixed-rate mortgages and down payment requirements.

Q: What credit score do I need before applying for a mortgage?

A: Most loan programs require a credit score of at least 620. Some programs require a higher score (like USDA loans, which require a credit score of 640 or more) and some are more lenient (FHA loans will accept loans from home buyers with a credit score as low as 580).

TIP!

Did you know housing and credit discrimination is illegal under the Fair Housing Act and Equal Credit Opportunity Act? If you feel you've been discriminated against due to things like age, credit score, race, marital status, gender, or sexual orientation, take action and file a complaint with the [Consumer Financial Protection Bureau](#) or the [U.S. Department of Housing and Urban Development](#).



Q: How much home can I afford?

A: Start by calculating how much you're comfortable spending on monthly mortgage payments. Financial experts strongly advise sticking to a 28/36 rule - meaning you don't spend more than 28% of your gross income on housing costs and no more than 36% of your gross income on total debts. You also want to consider how much money you have for a down payment, as down payments impact which loans you qualify for. Once you've defined your mortgage budget, try using our free online mortgage payment calculator to narrow down your home price budget.

Q: Can I skip a down payment altogether?

A: Most loan programs require a down payment as security and proof to lenders that you're as invested in the purchase as they will be when they lend you the money. There are a few loan programs that allow \$0 down on the purchase of a home: VA loans (you must be a service member or veteran), USDA loans (you must buy a home in a qualified area and meet income requirements), and certain Physician loans (specifically for medical professionals).

Q: What other costs should I consider when establishing my homeownership budget?

A: In addition to monthly home loan principal payments, local property taxes and fees, mortgage servicer fees, homeowners insurance, and mortgage insurance, homeowners should check for HOA fees, or homeowner association fees, within the community they wish to live in. These fees help pay for upkeep, property value preservation, and maintenance.

Q: What should I expect on Closing day?

A: When purchasing a home, the very last step is the Closing, which transfers ownership of the home from the seller to the buyer. Once the closing is complete, the buyer follows what was agreed to in the purchase agreement. Like any other step in your building journey, different situations can arrive before or during closing. However, you can take steps to be better prepared before your closing date and avoid those trouble spots.

Have additional Questions?

Write here to discuss with your lender or Eastbrook Homes Sales Agent.

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Financing Your New Eastbrook Home

You've done the hardwork of defining your budget, researching loan programs, and getting your paperwork and financial documentation organized. What's next?

Let's get you pre-approved with one of our preferred lenders!

Eastbrook Homes offers a simplified, streamlined home financing process so you can build your dream home with less stress, time, and money. Take advantage of one of our preferred lender partners' unique home financing options to make the most of your Eastbrook experience.

Traditional End Loan

Let Eastbrook Homes carry the costs of your home construction for you so you can focus on designing your dream home and selling your current home! A Traditional End Loan closes after your home is finished and reduces paperwork, costs, and interest so you can build a new home with the same ease and straightforward financing process as buying an existing home.

Finance First Loan

Ready to get your new home loan closed and out of the way? Our preferred lenders' Finance First Loan allows homebuyers to lock in interest rates and close on their new home loan at the start of construction. In most cases, homebuyers start paying low monthly payments on their Finance First loan until construction of their new home is complete. Once your existing home sells, you have the option of reducing your Finance First loan by applying the proceeds from your sale to your new home loan.

Already have your pre-approval? Give our Sales Agents a call to walk through the next steps!

-  info@eastbrookhomes.com
-  **(616) 947-3317**
-  eastbrookhomes.com

- Interested in learning more about buying or building your dream home with Eastbrook Homes?
- Check out [Eastbrook University](#), an online collection of informational videos, flyers, and articles that walk you through the home building process step-by-step.
- Explore our [library of blogs](#), detailing everything from home trends and market updates to new community phases and launches
- Download our [Interactive Home Building Guide](#) or our [Interactive Condo Guide](#) for step-by-step insight into building your dream home with Eastbrook.
- Connect with our [experienced Eastbrook Homes Sales Agents here](#) to learn more about our [communities, home plans, and available move-in-ready homes.](#)

Simple Financing

Which preferred lender loan program best matches your needs?

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