



The Basics:
Buying Your First Home



**Here
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Grow.**

An Introduction to Homebuying

Buying a home can be complicated for anybody but can be especially challenging for the first-time homebuyer.

At Penn Community Bank, we'll help you prepare for the home buying process so you can instead focus on the future and memories you will build in your new home and the exhilaration of a meaningful investment. We have the resources and abilities to get you one step closer to purchasing your first home, a big step for you and your family.

Reasons to Consider Buying a Home:

- Your home is yours; customize it to reflect your personality and update it as you grow.
- Your home can grow in value over time and be worth more down the road.
- Homeowners can use home equity to take out loans for home improvement, education, and other expenses.
- Deducting mortgage interest and property taxes can help you save money come tax season. You must consult your tax advisor regarding how much of your interest you can deduct, if any.



Picking the Right Home

Beyond desires like location and size, when buying your first home the most important thing to consider is how much you can afford.

- A general rule of thumb is that your home should not cost more than three times your annual income.
- Per month, total debts owed (including mortgage payments) should not be more than one-third of your monthly income before tax and other deductions.

First-time homeowners can calculate the ideal budget to allocate towards their mortgage payments by taking their total income then subtracting the following:

- Fixed expenses like your car payments.
- Credit cards, utilities, and other variable costs.
- How much money you set aside each month for savings.

The number that you are left with is your available budget for buying your first home. When shopping around, keep this number in mind to ensure you do not spend so much on the house you place strain on your monthly budget.

Penn Community Bank can help first-time homeowners determine the mortgage payment best suited to their income and expenses. Our banking services can help with savings, loans, and other financial planning needs when purchasing a home.



Getting Approved for Your First Home

One aspect that many people forget is getting pre-approved for a loan. When searching for your first home, pre-approval is a crucial next step to find out how much you're qualified to borrow. Knowing how much of a mortgage you are approved for will help to narrow your home search to those you can afford. When purchasing your first home, contact Penn Community Bank and ask how our mortgage loans simplify the process. We have the right lending solution to meet those "Here We Grow" moments like buying your first home.



Choosing a Mortgage

At Penn Community Bank, we're here to help you find a mortgage that suits your first-time home buying needs. We offer traditional loans in addition to:

- First time home buyer programs
- Adjustable-rate mortgages
- Federal housing administration (FHA) loans
- Jumbo mortgages
- Veterans Affairs (VA) loans
- U.S. Department of Agriculture (USDA) loans

Once you have found a mortgage that suits you, first-time buyers should contact a real estate agent to show them homes in their price range and help them find a house that fits their needs.

Types of Mortgages

Fixed-rate mortgages offer the borrower several advantages and are typical mortgage loans. The interest rate remains constant during the loan life, with various terms available. In addition to peace of mind that the rate will stay the same, there is no prepayment penalty for first-time buyers who quickly want to purchase a primary residence. Lenders will offer this loan with various terms to meet diverse borrowing needs.

Adjustable-rate mortgages have interest rates that may change periodically. Penn Community Bank locks this initial rate for 3, 5, 7, or 10 years. After that period, interest rates can go up or down based on industry-standard factors. These mortgages offer caps against unlimited rate increases and no prepayment penalty. These mortgages typically have various terms available.

Bi-weekly mortgages deduct payments directly from your Penn Community Bank checking account every 14 days and build home equity quicker. The interest rates on these mortgages are consistent for the life of the loan while requiring no additional fees. This option is convenient to first-time homebuyers because of timely and automatic payments with no prepayment penalty for ambitious new homeowners.



Home Buying Costs

Costs Associated with Your First Home

When purchasing your first home, there are three main costs you'll need to consider and prepare for:

- **Down payment:** On average, down payments are 6% of the mortgage cost but can be as low as 3%.
- **Monthly payment and interest rate:** Understanding current rates will help first-time buyers estimate future monthly payments accurately.
- **Closing costs:** These can include home appraisals, title searches, escrow fees, and other processing fees.

These three figures will help you get started on purchasing your first home. At Penn Community Bank, our online mortgage calculator can conveniently help borrowers instantly determine the right kind of mortgage for their needs.

There are additional costs others can incur when purchasing their first home. This can include:

- Home maintenance and repairs.
- Taxes, insurance, and monthly utilities.
- Home assessment fees or association dues.

These costs vary from home to home, but first-time buyers want to be aware of these expenses before making their final purchase. When the time is right, homebuyers can use Penn Community Bank's convenient online application to apply for a home loan online and track it digitally. We are here to help you purchase your first home.

Home Appraisal, Inspection, and Title Search

After a seller accepts your offer, first-time homebuyers will want to ensure there are no code violations, structural problems, or other red flags with your new home by hiring a certified home inspector. Meanwhile, your mortgage loan lender will order a third-party appraiser to determine the current value of your home. Before you close on your home, the lender will order a title search that ensures first-time buyers can get a clear title for their new home. This search will discover any additional claims on the property you are purchasing.

Closing on Your First Home

When it is time to close on your first home, all parties will meet to sign documents for the purchase, and you will pay closing costs. Depending on your loan, this can include:

- Insurance and title search fees.
- Appraiser and inspector fees.
- Attorney, credit report, and processing fees.
- Discount points.

The latter is a fee homebuyers pay to lenders for a lower interest rate. Generally, each point represents 1% of the loan amount. However, depending on the loan you choose for your first home, there may be additional costs.



Home Equity

What is Equity?

As you repay your mortgage, the difference between your loan balance and the home's value increases. This is called home equity, and you can use it to get money for certain expenses with an equity loan or line of credit. There are two types of equity we offer.

- **Home equity loans** from Penn Community Bank give you money all at once while allowing you to pay it back automatically from your savings or checking account. The interest tax on these loans may be deductible, and borrowers who have this automatically deducted from their bank account will receive a discount on their interest rate.
- **Home equity lines of credit** from Penn Community Bank are flexible when you need them—allowing you to access your funds online by writing a check or visiting a Penn branch. These loans have a variable interest rate tied to the prime lending rate during this revolving credit period.

Your Home Buying Team

Our experienced team at Penn Community Bank is ready to help you purchase your first home or refinance your current residence. We will work with all clients to make sure you know your needs while helping you evaluate a variety of mortgages to find the one that suits your financial situation best. Home mortgage financing is flexible today, and Penn Community Bank can work with first-time homebuyers to put them on a path towards homeownership.

At Penn Community Bank, our commitment to helping families, businesses, and communities grow drives everything we do.

We know that, by working together, people can achieve remarkable things for their families, friends, neighbors, and community. As the largest independent mutual bank in eastern Pennsylvania, our mission is to stimulate and support those efforts—not only through the products and services we offer, but by sharing information and working side-by-side.



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