

# Advice For First Time Home Buyers

## **What Is Your Definition of Home Sweet Home?**

Before making the decision to purchase a home you may be enamored with, be sure you know your definition of what “home sweet home” is. For some, it may be a sleek, modern vision with marble floors, electrical gadgets and minimalistic in décor.

Others may have a vision of a colonial style home with the traditional white columns and dormer windows, filled with antiques. Or, you may be searching for something in-between such as a typical ranch-style home in an established neighborhood.

Whatever your criteria, you should always wait until you find the home that’s exactly meant for you. You may have to compromise on some features, but the home is one of the most important and costly purchases you’ll make in your lifetime.

If you’re purchasing a home for the entire family to enjoy, it might be a good idea to take the family house-hunting as much as possible. You’ll get a feel for what they like and want and what are deal-breakers.

The first step in knowing the definition of your dream house is to make a list of wishes. Assign a rank to each one according to preference. Your first priority may be that the house is on the waterfront. Farther down the list may be granite kitchen counters.

By making a list, you’ll learn which wishes are vitally important to your happiness and which may be deal-breakers if that desire isn’t met. It’s highly unlikely you’ll find a home that meets every one of your criteria, but it will help you concentrate on the properties that suit your needs best.

Think about the neighborhood and surroundings. Do you love the idea of being close to shops and restaurants? Or, would you prefer to be in a peaceful setting where all you hear is the sound of the wind through the trees?

One of the most important criteria you need to figure out is how much space you'll need. If you purchase a home that meets the exact location and style you're hoping for – but is too small for the family you'll be frustrated when you have to make it work for the long term.

Do you love to entertain? Then, be sure to include a floor plan in your dream home criteria that will accommodate guests and flow easily from one area to another. Maybe that's where you want to focus on getting the most square footage and leave the bedrooms smaller.

While an investment of time and money is necessary on fixer upper type of properties, it may be worth it if you're the type who loves an ongoing project and is handy with tools. Be brutally honest with yourself about how much time and effort you're willing to invest before becoming involved with transforming the home you buy into your dream home.

Just as you wrote down the features in your future home that will make you happiest – you should also think about compromises that would make you miserable. For example, if you can't handle constant noise, you probably won't want a downtown home or living on top of your neighbors.

After you've settled on the criteria for your dream home and ranked them according to preference, be sure to tell your agent. He or she will then have a better idea about which houses to show you and both of you will waste less time and effort on the house search.

### **Educate Yourself to Make Smart Home-Buying Decisions**

Don't wait until it's time to sign the contract to educate yourself about the intricacies of buying a home. Failing to plan properly for one of the most expensive and largest purchases you'll ever make can lead to many regrets and problems later on.

First-time buyers are especially vulnerable to making mistakes if they don't educate themselves beforehand. Even if you've purchased one or more

homes in the past, it's a good idea to educate yourself all over again to discover changes that have taken place in the real estate market.

Choose the type of mortgage that's best for you – a VA, FHA or USDA. There's also the question of whether or not you should apply for an ARM (Adjustable-Rate Mortgage) or a fixed rate. Your real estate agent and/or lender should be a great resource for those answers.

Execute a study of real estate in the neighborhood you like and want to purchase in. Check out whether homes are selling fast or lagging behind on the market. If the latter is true, find out why. There may be electrical towers in the neighborhood or plumbing problems.

Take time to figure out the maximum mortgage payment you'll be able to easily make with your current salary and bills. Be sure to check your credit reports, scores and assess your credit situation. Improve it before you apply for a home if needed.

Online tools to help you assess your current financial situation are abundant. Your computer and internet connection can help you educate yourself so you're not blindsided by the buying process.

Active real estate agents are great resources to educate you on the home buying process and there are also classes that can educate you on the right moves to make in your area. Take advantage to everything you can to give yourself an advantage in the real estate market.

Look closely at the obligations on the contract you may sign with a real estate agent. Be aware of what you're signing at all times when it comes to buying a home. You could be liable for commissions paid to the real estate agent even if they don't help you with the transaction if you don't go over the contract with a fine-tooth comb.

Interview your possible real estate agent as you would anyone who goes to work for you. Ask, "How unique are you in the real estate marketplace?" Remember, you're learning and their job is to make the path easier by helping to educate you about the process.

Be sure to read everything carefully and get another opinion from someone you trust who knows the ins and outs of the real estate business. Some real estate agents charge fees for locating properties for you and some don't. Get to know your real estate agent and expect the process to be seamless from the search to the day you sign the contract.

Finally, remember that planning to purchase a home is a bit like planning for the birth of a baby. Although you'll get plenty of "advice" from others, you should be comfortable with the decisions you make at all times.

Choose your real estate agent well. The right real estate agent will lead you to your dream home. But, it's also important to make your concerns known to your real estate agent and to educate yourself so you can make a smart decision.

## **5 Mistakes First Time Home-Buyers Make**

People are in a home-buying frenzy now with home prices relatively low as are mortgage rates. Experts are predicting that more gains will be made within the housing market during the years ahead.

Along with the hot home-buying market come heavy competition for the homes and many are making all-cash offers. But, if you aren't familiar with all the complexities of purchasing a home, you may have future financial regrets. There are five top mistakes that first-time homebuyers often make.

First, they don't consider renting a home. Although purchasing a home is often the best financial decision you could make, it doesn't work for everyone. For example, if you know you'll only be in the home for a couple of years it may not make sense to buy after you amortize the closing costs for that time period.

Second, they don't consider costs other than down payment. Homeowner's insurance, maintenance or HOA (Home Owner's Association) fees and closing costs may eat up your savings and leave you with no emergency funds.

Third, they don't get a home inspection. A home inspection is no way to cut the costs of buying a home. The defects a home inspector may find far outweighs the price of a home inspector and you may save thousands of dollars on future repairs.

Fourth, they fully expect their home to appreciate in value. Many home buyers think if they dump their life savings into a home and keep it for a few years they'll get a significant property. While a home equity is nice, the home is one of those assets that aren't very liquid if you need money fast.

Fifth, they don't consider debt-to-income ratio before looking for a lender. A lender considers this ratio when looking at your ability to pay for a home. If you've accrued too much debt, you may not be approved. Show a history of saving – not getting into debt before you apply for a home mortgage.

If you're a first-time or novice home buyer, it's imperative that you spend some time with an expert such as a trusted realtor before rushing in to the home-buying experience. They keep up with changes in current market values and how the various mortgage companies do business.

A realtor can also give you a reality check on home prices and values. Today, many home buyers rely on such online sites as Zillow or Trulia and may get a false sense of the true values of homes in the area.

Keep a close eye on your credit score before applying with a lender. Even if you have a pre-approval letter, you're not guaranteed for the loan. If your score changes a great deal, you may find out just before closing time that you don't qualify.

Always pay your bills on time and don't go into more debt by purchasing a new car or opening credit cards. Switching jobs may also be a red flag for a lender, so don't consider that move until after you close and the house is yours.

**Rent or Buy? How to Know What's Best for You**

There are many reasons why you may have decided to purchase a home - a growing family that needs more space, you're tired of paying rent and want to invest your money and you'd like to get the tax breaks that homeowners enjoy. Those are just a few.

Don't simply compare what you're paying in rent to what you'd be paying with a low interest mortgage payment. Even though it can be an asset for the future, you may not be ready financially to make the commitment.

The pros in homeownership highly recommend that you have a down payment of at least 10 to 20 percent and have an emergency fund socked away that can get you through 3 to 6 months of bill payments.

There are also other points to consider when deciding whether to rent or buy. Buying a home is touted as 'smart' and renting as 'dumb' but that's not always the case. Purchasing a home can be a good decision, but some experts believe that it's a bad financial decision and that the idea of home ownership is overrated.

Some things to consider when deciding whether to rent or buy include the fact that when you pay off your mortgage the home belongs to you. If your home has appreciated more than the taxes, mortgage and interest you've paid in - you've earned a return or simply break even.

Keep in mind that owning a home also qualifies you for tax credits that can offset some of the costs. But even though you may own your house outright, you'll still pay a significant amount of taxes and interest.

You should also realize that renting isn't exactly "throwing your money away." You get a place to live and you don't have to pay for issues such as repairs and maintenance. So, rather than make a decision on what the headlines are saying about home ownership being the best route, you should consider your current situation.

Figure it out by researching the pros and cons of homeownership, crunching numbers and taking a long, hard look at your finances and lifestyle. You may be moving from place to place in your career and

don't need the hassle of putting your house on the market every year or so.

Consider the cost of housing in your area. Houses may be too expensive for your pocketbook right now, so it could be better to rent. But, renting may also be expensive and owning a home might be the better option.

Can you get more of a return on a home investment or by investing your money in the stock market or other methods of investing? All of these caveats must be considered before you should make a final decision on whether to buy or rent.

Your situation isn't like others and you need to think about where you want to live, what type of house and environment you're looking for and how it will all pan out in the future. In the end, know that sometimes it's best to rent rather than buy – it all boils down to what feels right to you.

### **How to Choose a Real Estate Agent**

Choosing a real estate agent to help you navigate the treacherous waters of purchasing a home is one of the best moves you can make. You'll want the best – but how do you know which you want with all of the real estate agents out there clamoring for your business.

The first thing you should do before choosing a real estate agent is to chat with recent clients (if possible). You can ask the potential agent to give you a list of what they've sold (and listed) within the past year and be sure to include contact information.

You'll learn what the asking versus the sales price was for each sale which is valuable when assessing their negotiating skills. You should also find out how long the agent has been in the real estate business by simply asking the agent. Five years is considered a learning curve for agents, so you may want to consider someone who has been in the business longer.

Check out a potential agent's current listings. You can do this online by accessing the agency's website or other sites. Determine if the agent's

past listing are like or similar to the type and price range of the home you want to purchase.

Be sure your agent is licensed by the state they're practicing in. You can check to see if the real estate agent is licensed by contacting your state's regulatory body. That will also reveal if the agent has any complaints or if there are disciplinary actions against her.

A real estate agent should have the right credentials – just as lawyers. Notice the lettering after the agent's name to get more information. For example, a Senior Real Estate Specialist (SRES) indicates they've had training to directly assist buyers and sellers who are 50 years and older.

A Certified Residential Specialist (CRS) means they've had additional classes in buying and selling residential properties. If an agent is an Accredited Buyer's Representative (ABR), you'll know they've had further education in representing a home buyer's transactions.

Mainly, an agent who is listed as a Realtor (capital R) is a member of the National Association of Realtors, who has pledged support to the Realtor's code of ethics. Check out awards and recognitions she's been given – especially by her peers.

The “Realtor of the Year” award is presented by the local branch of the NAR or by the state and it means a great deal and is quite an honor to be chosen by your peers. You can be assured that she's respected and looked up to by the business.

One trick to choose an agent who knows her way around is to ask about a property in the area that has recently been put on the market or sold. If the agent immediately knows the property you're talking about, it's a sure thing she knows the area and the market you're considering.

Choosing a real estate agent who's going to carefully guide you along one of the most important and expensive journeys of your life. Even if the real estate agent doesn't meet all of the criteria for choosing an agent, consider your gut instinct about the person. Sometimes, that's the best rule of thumb.



## **Don't Get Trapped by Real Estate Buzz Words**

Even if you're not in the market to purchase a home you've likely been exposed to certain buzz words used in ads and other marketing media to get your attention and make you want to see the home.

If you are in the market to buy a home, it's important that you know the tricks of the real estate trade and not get sucked in to the hype. Besides wasting your time looking at duds, you may find yourself spending too much money on one.

One real estate agent said that words in real estate listings such as charming, fantastic and cozy make the property sound great, but may actually mean something else. For example, the word, charming, may mean that it's tiny, dark and old.

Exclamation points after the words should also alert you to problems you may find in the home. When 'fantastic' and 'great neighborhood' is followed with exclamation points in real estate ads you can expect to find problems in the house.

Some terms are used by real estate agents who are too lazy to choose something better. Such as – cozy. Cozy should alert you to the fact that the house is most likely small. Other terms used in ads such as 'gourmet' and 'granite' may signal you that the home is going to be higher priced than some others.

The top buzz words that are overused in the real estate market include - upgraded finishes, spacious, prestigious, trendy, upgraded finishes, diamond-in-the-rough, sun-drenched, dream house and great potential.

All buzz words are designed to grab your attention, help you picture the coziness and trendiness the home offers and to extract the top selling price from you. When a real estate agent doesn't list the size of the home, but calls it 'open floor plan' you might be disappointed to see a cramped apartment where that spaciousness includes the living room, bedroom and kitchen all in one room.

You can expect a home that's advertised as 'has great potential' or 'renovator's dream' to need repairs or renovation. And, 'near transportation' could mean it's in the middle of a very noisy area.

Garnering the support of a real estate agent can help you maneuver the treacherous path of home buying. He or she will know the market in the area in which you're looking and be better able to steer you away or toward a home you'll love based on the conversation(s) you'll have.

She'll probably also be familiar with the property and know if buzz words were used to make it seem more attractive. She'll tell you when the overused phrases aren't really indicative of the property itself.

These real estate buzz words can be very misleading if you take them literally. But it does help your real estate agent in her quest to find out what your requirements are. It's best to create your own list of adjectives you'd use when finding your dream home.

That list can make it less likely that you'll fall into the hype of buzz words and save you lots of time on fruitless searches.

### **Keep a Checklist During the Home-Buying Process**

Buying a home is one of the largest investments you'll ever make, so you need to get it right. One of the best ways to track your progress and be sure you stay on track is to keep a checklist of what you need to have to make it happen.

Of course, you must know you'll have enough money to pay monthly mortgage payments. If it's going to be hard to make those payments and you end up with nothing at the end of the month, you may soon be sorry you made such a huge commitment.

Know your credit history and rating. If you've ever declared bankruptcy, are consistently late with payments or have many unpaid debts on your record, it may be more difficult to get a mortgage – or have to pay an outrageous interest rate.

You'll also need to figure in property taxes and homeowner's insurance payments that you will have to pay each month. Keeping a home in good repair is sometimes costly, so you must have the necessary income to fix things that break or don't work properly.

Find a qualified house inspector and attend the inspection so you can ask questions and be better informed. It's going to cost a bit depending on the size of the home, but it's well worth the investment and peace of mind.

After the inspection, find a qualified repair person that will give you written estimate for the needed repairs. Have your real estate agent submit the needed repairs and estimate to the seller and let him decide if he wants to do the repairs or lower the price of the house to fit the estimated costs.

Get at least three interest rate quotes mortgage bankers or brokers. Then, consult with your lender to see if you can pay points to lower the rate. Many banks approve of paying up front to get the interest rate lowered, but you may have to pay quite a bit for it to be approved.

Bid smart based on prices of comparable homes in the area (recently sold). Begin a bit lower than those prices so there is room for negotiation. If you want to see if the seller will include some furnishings with the price, let him know at this time.

After your offer is accepted, you're ready for the final checklist when you conduct the final walk-through. You should check all appliances to make sure they're in working order.

Be sure to plug something in to outlets to check for shorts and other electrical problems. Checking smoke detectors should also be on your checklist – and be sure to turn on both the heat and the air conditioner.

Turn on the faucets and flush the toilets, look for signs of pests, standing water or mold on ceilings. If there is anything that doesn't work, is broken or missing from the home, be sure to let it be known during the final walk-through.

And last on your checklist – sign the contract. You're then ready to move in and enjoy the next phase of life in your new home.

### **Buying a Home that Fits Your Lifestyle**

Finding the right home and one that truly fits your lifestyle is one of the most important decisions you'll make. It should fit with your lifestyle and have the right floor plan and style that you'll love for years to come.

Size is important when considering a home. If you've got a large family, they probably won't be comfortable in a small two-bedroom, but a sprawling ranch-style may not be the best choice either unless it meets other needs – such as enough bathrooms.

Floor plans may vary according to location. For example, if you live in the city, floor plans may range from multi-level brownstones while more suburban settings will give you more outdoor space and room to grow.

Clearly, if you enjoy living in an urban area where you're close to restaurants, shops and other amenities, you should look for a downtown home that fits your style and your needs.

Growing families may be better off in a country or suburban settings where schools and the neighborhood are important considerations. Think about your pets too. A home with a back yard may suit your needs more than having to get in an elevator each morning to walk the dog.

Do you like to entertain? Then, consider a floor plan that flows easily – not one chopped up so you can't visit with your guests while in the kitchen. A backyard or patio may also be important so the overflow of people have room to move around.

Consider the layout of your new home more than the décor or fancy finishes. It should flow easily from room to room and be functional for what you love to do. Don't choose based on great carpet in the living room but look for how welcoming it will seem to guests coming from a kitchen or foyer area.

If you have trouble visualizing a floor plan that will work for you, consider hiring a design professional for guidance. Your real estate agent may also be able to point you in the right direction and help you consider things that aren't visible to the eye, such as energy costs or Home Owners Association costs.

When considering your home purchase consider if you're going to be using your current furniture or buying new furniture that will better fit your floor plan. If you want to use your current furniture, be sure to measure the area to be sure it will fit.

While most of us tend to go over-the-top when it comes to purchasing a home, the price of those fancy features or location usually bring us back to earth. You know what you like, what you can live with and what are absolute deal breakers.

Your instincts will usually guide you in the right direction. If a floor plan, style and location just "feels right," it probably is. But, use your common sense or consult an expert if you're not sure about making a final decision.



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