

## **First Time Homebuyers: What You Need to Know about Your First Home Purchase**

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Home, Sweet Home. Buying your first home can be exciting, as well as a life-altering experience. Going from renting to owning a home is a huge step. A home is a large and important investment, with many benefits. Some of these benefits include deducting the cost of your mortgage loan interest from your federal income taxes and if applicable, your state taxes as well. The value of your home is quite likely to grow over the years, thereby, building equity. You will enjoy something that is all yours, making your home a true reflection of your personality and personal style. With some careful planning and the guidance of good professionals, the purchase of your first home can be a dream come true.

Before you purchase your first home, it is wise to pay off as much debt as possible. Use the money you have saved on a down payment and eliminate credit card and other high interest debts, even if this means that you put less money down on a home. The average interest rate for a credit card is around 14 percent, or more than double the national average for a 30-year fixed mortgage. Credit card debt will limit how much money you can borrow, as lenders often will not allow your monthly total debt to exceed approximately 40 percent of your gross income. Determining how much house you can afford, is another step in the home buying process. Often, first time homebuyers will assume that they can afford more house than they actually can. Many real estate agents encourage potential buyers to get pre-qualified before showing homes. Pre-qualification provides a maximum amount that a lender will provide, based upon your income and expenses. This avoids wasting time in looking at what many realtors refer to as "too much house". Any qualified lender will be happy to walk you through the pre-qualification process in person, over the telephone, or on-line. As a general rule, your annual mortgage payment, with taxes and homeowner's insurance should not exceed 28 to 30 percent of your gross income. Once you have looked at these ratios, determine how much money you have for a down payment. Make sure you budget an extra 3 to 5 percent of additional money to pay for closing and other incidental costs that may arise.

Once you have gone through the pre-qualification process and you know how much house you can afford, the next important step is to choose the type of home you want, i.e. single family, townhouse, condo or detached condo, and apply for a mortgage loan. Condos and townhouses are generally a good option for the first time homebuyer, but they are not for everyone. First time home buyers with a steady job and good credit can make a minimal down payment. There are different types of mortgages that include fixed and adjustable rates, or some combination of both. The government agencies called Fannie Mae and Freddie Mac offer a wide variety of mortgage programs that are geared for first time homebuyers. Each year, the department of housing and urban development (HUD), gives states money to help low to moderate income families with down payment assistance programs. Many first time homebuyers may qualify for this program, but you must stay in your home for at least three years before selling it in order to avoid paying a penalty. Make sure you discuss all of the mortgage options available, to assure you get the mortgage that is right for you. You will also need to calculate property taxes, insurance, maintenance, and association fees if they apply. Sellers respond best to a first time homebuyer

who has a pre-qualification letter in hand and is willing to close within 30 to 60 days. A pre-qualification letter makes sellers much more confident in your ability to complete the home buying transaction.

When evaluating a home, choose three or four neighborhoods that you are interested in based upon your needs, such as schools, safety, shopping, and recreational facilities. When looking at homes, carry a notepad with you to write down what you like and dislike about each of them. After looking at several homes, you will begin to form comparisons and get a sense of which homes and properties you like best. Ask to see them again, because each time you look, you will notice more elements to the house that may have been overlooked the first time around. After seeing your favorite homes more than once or twice, buy the home that is the best match for you. When making an offer, consider the following: Is the asking price in line with the prices of similar homes in that area? What is the condition of the home? How long has the house been on the market, and how much mortgage is going to be required? You want to make sure that you can afford the home in its entirety. Before you make any type of offer on a home, get a professional home inspection. If there is interest from other buyers in the same house that you want to make an offer on, you need to be prepared to offer more than the asking price. It is very important you really like the house you choose, because chances are this will be your largest investment to date. By following some of these guidelines, your first home buying experience can be truly wonderful and rewarding, with many years of happiness ahead.