

# Buying



## Quick tips for a successful house search

Carefully craft your wish list and try to stick to it. If you are shopping with your partner, discuss your must-haves together so you'll be on the same page during your house hunt.

Remember you are not only buying a house, but the neighborhood too. Is it safe? Talk to neighbors and ask questions. Spend time in the area to determine if it offers the lifestyle conveniences you'll need.

Don't see too many houses in one day. You may begin to feel overwhelmed and confused after touring several homes. Too many homes in a short period

of time will run together in your mind and you won't recall which kitchen or which master bedroom belonged to which house.

Stay within your price range and consider added expenses such as taxes, home owner's association fees, maintenance etc.

## **Steps to take to prepare to buy a home within a year.**

If you are planning to purchase within the year then your priority right now should be to clean up your credit. Pull those reports, see if there is anything that may make the process difficult. Any past dues? Judgements? Call the creditors and work out a deal. The key to getting a good mortgage rate is credit worthiness.

Make sure you have filed your taxes. Mortgage companies will need your last 2 and sometimes 3 years of tax returns so pull that together.

Also, it may be worthwhile to sit with a mortgage professional now and try to get preapproved. This way you'll know in advance what your purchasing power is. And if you can't get preapproved, at least you'll know why and you can begin to start cleaning your profile up.

## **Consider following steps when you're ready to buy house**

### **1. Pay Off All Debt and Build an Emergency Fund**

Owning a home is expensive—much more expensive than renting, even if your monthly house payment will be similar or cheaper than your current rent amount. That's because when you own a home, you're responsible for all the maintenance and upkeep costs. And those can add up fast! So, before you even think about buying your first home, make sure you're **debt-free** and have an **emergency fund of three to six months of expenses** in place.

When you get into a home with no payments (besides the mortgage) and have a nice big emergency fund, you'll have the cash to pay for huge expenses that suddenly

come your way. You'll be able to love the life you've set up for yourself because stress and worry won't be part of the equation!

Now, once you're debt-free, I want you to *stay* debt-free. So, as you're shopping for your first home and getting excited about decorating and filling it with new furniture, be mindful of your budget.

The spender in me knows that's easier said than done. When my husband, Winston, and I moved into our first home, I had *so* many visions for what our home could look like! It was hard for me to accept the fact that I could only decorate one room at a time. But I knew our future money goals were more important than me spending all our savings at the furniture and home stores.

You might have some empty rooms for a little while, but your budget and your future self will thank you! And if you find yourself thinking, *Oh well, I'll just put it on credit*—stop right there! Debt is dumb. Plus, taking on *new* debt in the middle of buying a house could delay your approval for a mortgage and make you miss out on the perfect home. Don't do it!

## 2. Determine How Much House You Can Afford

Before you get emotionally attached to a beautiful house, check your monthly budget to determine how much house you can afford. You need to leave room in your budget for other things, so make sure your monthly housing costs (including HOA fees, taxes, insurance, etc.) are going to be no more than **28%** of your monthly take-home pay.

## 3. Save a Down Payment

If saving up to pay cash for the total price of a house isn't reasonable for your family's timeline, if possible save for a down payment 20% or more. Then you won't have to pay for private mortgage insurance (PMI), which protects the mortgage company in case you can't make your payments and end up in foreclosure. PMI usually costs 1% of the total loan value, and it's added to your monthly payment.

Here are some mortgage options.

- **Adjustable-Rate Mortgages (ARMs):** ARMs might seem great with a low initial interest rate, but they allow lenders to adjust the rate to transfer the risk of rising interest rates (and monthly payments) to you.
- **FHA Loans:** You may be able to get an FHA mortgage with as little as 3.5% down, but you have to pay a mortgage insurance premium (similar to PMI) for

the life of the loan. That's thousands of dollars that won't go toward paying off your mortgage.

- **VA Loans:** VA loans allow veterans to buy a home with no down payment. But if the real estate market shifts, you could easily owe more than the market value of your home. These loans also carry a bunch of fees and usually charge interest rates that are higher than those for conventional loans.
- **A fixed-rate conventional loan** keeps your interest rate the same for the life of the loan, which protects you from the increasing expenses of rising rates.

## 4. Save for Closing Costs

Along with your down payment, you'll also need to pay for closing cost. If you're a first-time home buyer, you may be wondering how much it costs to close on a house. On average, closing costs are about 3–4% of the purchase price of your home. Your lender will give you a specific number so you know exactly what to bring on closing day. These fees pay for important steps in the home-buying process, including:

- Appraisal
- Home inspection
- Credit report
- Attorney
- Homeowner's insurance

## 5. Get Preapproved for a Loan

Once you're confident you have enough cash saved to pay for closing costs and 20% of your home, you're ready to handle the other 80% by talking to a mortgage lender.

Get pre-qualified for a loan and take the extra time to get a preapproval letter before you start your home search. Preapproval shows sellers that you're a serious buyer, which is a great way for first-time home buyers to get ahead in a competitive market.

To get preapproved, your lender will need to verify your financial information (proof of income, taxes, etc.) and submit your loan for preliminary underwriting. Do not change your job on any circumstances.

## **6. Find a Home for Sale in Your Price Range**

According to recent data reported by the National Association of Realtors (NAR), most buyers either found the home they purchased online (50%) or through a real estate agent (28%). Doing both sets you up for success!

Find homes you like online and send them to your real estate agent so they have a good idea of what you're looking for. Then they can use a multiple listing service (MLS) to find homes that meet your criteria in your desired areas.

An MLS is created, maintained, and paid for by real estate professionals and it can really help first-time home buyers like you to view the largest pool of properties for sale in the marketplace. Real estate agents also provide valuable market expertise and can help you find great deals on homes as soon as (or before) they're listed.

## **7. Research Neighborhoods for Best Fit**

After you've found some homes for sale in your price range, be careful not to make a decision based on the property alone. According to a NAR survey, home buyers are more willing to compromise on a home's condition (20%) and size (17%) than on the quality of its neighborhood (6%) and distance from a school (2%).<sup>4</sup> So make sure you factor neighborhood quality and location into your decision.

Ask your real estate agent for information on crime rates and the quality of schools around your prospective neighborhoods. Calculate your new commute times to see if they seem manageable. Visit the neighborhood at different times and days to check for traffic conditions and noise levels and to see if people are comfortable being outdoors. Only choose a neighborhood that you and your family feel good about.

## **8. Attend Open Houses and Think Long Term**

Once you've narrowed down the neighborhoods, attend a few open houses. Looking at homes that are for sale—even if they're not a perfect fit for you—is a great way to learn more about the area. When you do eventually find a house you love, you'll know how your place compares to better or worse homes in that neighborhood.

When it comes to buying, a good strategy is to find the most affordable house in the best neighborhood. If you buy at the bottom of the price range in a good neighborhood, you'll have more room to build home value.

For instance, let's say you find a home that's the only one on the block without wood floors and granite countertops. If you have the cash to make those upgrades, you'll be able to add instant value to your home!

## **9. Make a Competitive Offer (That's Within Your Budget!)**

Let's say you found the home you want and can afford. Since you're already preapproved for a loan, you're ready to make an offer. If you're a first-time home buyer, it may be hard to know how much you should offer. That's when you can rely on the expertise of your real estate agent.

Ask your agent to help you make sure your offer is competitive but also within your budget and the home's value. Be careful not to make an impulsive offer that's higher than you can afford just to knock out the competition. A personalized letter might help your offer stand out among multiple bids in a hot market.

## **10. Prepare for Closing**

Once a seller accepts your offer, the closing process will begin. Keep things running smoothly by knowing what to expect when closing on a house. The average closing process takes 43 days, which gives you plenty of time to tackle closing items. I will schedule the remaining steps from home inspection to final walkthrough, and they'll keep you informed about any roadblocks.

**Good Luck!!!!**