



Tips For First Time Home Buyers

Buying a home anytime is a big deal, but buying your first home can be quite overwhelming. This article was written to make you aware of a few things that first time buyers should know. First of all, realize that the old adage is true; location is the most important thing. Start by choosing an area you like, in a good neighborhood, with a home that suits your present and future needs, and then you can get started on the details. The important things to consider are listed below:

Your Financial Situation and Plans for the Future:

Evaluate the price of the rent you currently pay so that you will be able to compare that with all the costs of buying and owning a home. One of the most important things to do is count your savings and see if you really have enough to cover the down payment and closing costs. Weigh your income and job security (any upcoming promotions?) and how they coincide with your plans for the future. If you plan to move within the next 10 years, you will definitely choose a different type of loan than if you plan to be in the same place for 20 years, whereas if you plan to move within 3 years, it may be more economical to keep renting until then.

Current Market Conditions and Loan Programs:

Check out the property prices; if they are rising, now could be a good time to buy, but if they are falling, buying now could end up costing you money if you try to sell in the future. Look at the market's current interest rate and compare that to the points (closing fees) your lender will charge you, as a low interest rate often means higher points. Next, learn about the available loan products. Learn the difference between fixed rate and ARM loans, balloon, jumbo, and interest only loans. Your credit history will make a considerable difference in the kind of loan and interest rate you qualify for, so keep that in mind.

Extra Costs:

As unpleasant as it is, you will need to calculate the closing costs into your budget for buying a house. These costs include attorney's fees, appraisal fees, the title fee, credit report fee, the application fee, the broker/lender fees, an inspection fee, and state mortgage taxes.) Find out from your lender what all these fees will total. Finally, you can't forget the down payment, which can be as much as 20% of the cost of the home with a conventional loan. If you don't have enough money saved the down payment can be subsidized by the lender, but that will result in a larger overall loan.

Something often forgotten by first time home buyers is the ongoing cost of owning a home. Property taxes and home and life insurance, in addition to home maintenance, can be a little overwhelming. One thing to keep in mind is what is called the "28/36 rule." This is that your monthly housing payments should not surpass 28% of your monthly earnings, and that all of your monthly debts should not be more than 36% of your total monthly income. If you can keep to this guideline you can afford a house.

If, after evaluating all the costs of buying and owning a home, you decide that you can't afford it right now, it is wise to wait and keep saving. It is better to rent now while saving for that down payment than to jump into water over your head. If you decide that now is the time to buy, start early, because closing takes time, and find a mortgage professional you can trust.