

CLEAR VISION BROKERAGE

Tips for First-time Buyers

If you're a first-time home buyer, you've probably discovered that you have a lot to learn - and unfortunately, it's all too easy to get burned. But don't be discouraged. By doing some research, you can avoid common first-time buyer mistakes.

Try to Refrain from Large Purchases

If possible, don't make any big purchases or take out loans that you can't pay off in full within six months. When you're calculating how much you can afford to spend on a home, your total monthly debt should not exceed 36% of your gross monthly income. If you owe any more than that, you could find it hard to get a loan. If you must have that new car, wait until closing is completed before you buy so that your purchase doesn't affect your mortgage eligibility.



Investigate "Hidden" Costs

Closing costs are normally 3-5% of the property's value. In addition, owning a home has associated costs - insurance, property taxes, and maintenance all add up. Plan to spend 1% of your property's value on annual repairs. Remember that moving into your first home probably means spending extra money on furnishings, too. Take all of these things into account when you're calculating how much you can afford to borrow, and how much you'll need to cover up-front costs.

Study the Market

When you've decided on the area you want to move to, do some research and get a Current Market Analysis (CMA). A CMA will calculate the market value for the type of home you're interested in on the basis of recent sale prices of similar properties and will help you determine if properties you're interested in are priced competitively.

In addition you need to decide if it's the right time for you to buy. If you have only a small amount of cash for a down-payment, if interest rates are high, or if property prices are predicted to drop in the near future, consider holding off for six months or a year, until the market is more favorable.

Shop Around for a Loan

In a hot market, sellers often only consider bids from buyers who have mortgage pre-approval. Don't use this as a reason to rush into getting a mortgage. Take the time to find a good deal, and carefully consider your options when it comes to interest rates and other terms. Take into account how long you intend to live in the property. If you plan to move out after a few years, an adjustable rate mortgage may work better for you.

Your lender is required to give you a Good Faith Estimate within three days of your loan application. This documents your closing costs and expenses related to inspections, taxes, title insurance and other essentials. Get a copy of the Good Faith Estimate before making a commitment so that you're aware of these costs up front.

Hire Independent Inspectors

When you find a property you like, the next step is hiring inspectors. This is usually optional, but it's still an important part of the process. Before you make this purchase, you need know all about the property - whether it's structurally sound, if the plumbing and wiring are in good condition, and if it has sustained any major pest damage. Your agent may provide you with a list of contacts or may offer to help handle it. However, it may be more prudent to hire independent inspectors. Using an agent's "buddies" sounds attractive because it's one less thing for you to do, but on the other hand the agent wants this deal to close so they can collect their commission, and they may not have your best interests in mind.

Don't Let Your Emotions Take Over

Buying a house can be stressful. Try to keep a cool head and be realistic. If small repairs are needed on a property that you really like, don't be discouraged if the seller refuses to take care of them. Instead, negotiate a lower sales price. Similarly, set a limit on what type of repairs you're willing to tackle yourself and then stick with that limit. If you don't want to cope with major structural repairs then avoid properties that need them, no matter how much you like it or how flexible the seller is willing to be on price.

Just as importantly, don't let anyone talk you into something you can't afford. Once you've made the decision on how much you want to borrow, don't change your mind, or you may end up in financial difficulty later on.

If you have any questions, please contact:

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