

25 Home Buying Tips



1. Analyze if buying a home is the right step for you now

Understand the obligations and benefits of home ownership, analyze the pros and cons of renting vs buying, and ask yourself how home buying will affect your lifestyle.

2. Determine your goals for buying a home

What is important to you? Not having to worry about dealing with a landlord? Being able to do what you want with your home? Stability in a community? How long would you planning to own this property?

3. Understand the tax consequences/benefits of owning a home

Meet with a tax accountant to determine how your income tax obligations will be impacted if you become a home owner and take on a mortgage loan.

4. Get your credit score in shape

Establish good credit behavior - pay your bills on time - at least the minimum amount due on every credit card or credit obligation you have each month. Don't "max-out" the credit limits on your credit cards. When you talk to a mortgage lender, ask his/her advice on how to improve your credit.

5. Get organized

You will need to provide various documents to the lender in order to get pre-approved including:

- Two previous years of federal tax returns and W2s
- Paycheck stubs for the last 30 days
- Proof of other ongoing income such as pension, social security etc
- Two months most recent bank and brokerage statements (all pages)

Of course, your loan officer will let you know what you information he/she needs.

6. Money for down payment

Do you have a plan for saving for a down payment? Will you be borrowing money from your 401k or other retirement account? Understand the implications of borrowing from your retirement account. Are you receiving a gift from parents or other relative?

7. Get pre-approved - Find out how much loan you can afford

Before you start to look at homes, meet with a loan officer to obtain a pre-approval - provided free of charge. Once you determine the amount of your down payment and the amount of loan for which you are approved, you will have a good idea of your price range and can more efficiently begin looking for a home.

8. Listen to local real estate professionals.

Rather than relying on internet generalities, talk to local real estate professionals about the real estate market and loan requirements and options.

9. Low downpayment loans

You don't need a 20% down payment to purchase a home. Determine if it makes sense to buy now rather than waiting to save the entire 20% down payment. If you have less than 20%, make that one of the first questions you ask a lender in your initial conversations: what kinds of low down payment loan programs do you have?

10. Know different types of loans

Understand the advantages and disadvantages of loan types - what works for you, your financial situation and your risk tolerance. Ask your lender about the variety of loan options available in order to select the loan that is right for you.

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11. Understand how a loan is priced

The interest rate is not the only cost of a mortgage loan. There are also points and fees – these costs are paid upfront as part of your closing costs. Ask your lender how much they charge in fees. Does your loan pricing include point(s)? A point is 1% of the loan amount. Since points are prepaid interest, if you pay point(s), you should pay a lower interest rate on your loan.

12. Mortgage insurance - is this the right strategy for you?

Typically, if you do not have a 20% down payment, a lender will require you to pay for mortgage insurance. This adds to your monthly housing expense. Talk to your lender about your options to determine if it makes sense for you to secure a loan with mortgage insurance, get a piggyback loan or wait until you have saved a larger down payment.

13. Don't make any new purchases or open new credit cards

Opening new lines of credit while in the home buying process will affect your credit score. It may also impact your debt level, which will affect how much loan you can qualify for.

14. Work with a real estate agent

With so much access to property listings on the internet, it is tempting to think that a buyer doesn't need an agent. Not so. In a competitive market with multiple offers, having the expertise and advice of a real estate agent is highly beneficial. The agent should be familiar with the market that you are interested in, help you find a house that meets your needs, recommend how much to offer on the home, negotiate the price and terms of the transaction, and stay involved throughout the term of your escrow - helping you release contingencies and deal with any challenges that arise during the escrow period.

15. Home Comparison Worksheet

Make a home comparison grid to help evaluate potential homes. Balance your wish list with budget constraints. Take a photo of the homes that you like and label them with the address, so the homes don't all blur together.

16. Explore the neighborhood at all different times

Check out the street and the neighborhood at different times during the day and on weekdays, as well as the weekends. What seems like a quiet neighborhood during the day may be quite different at night. Or there may be plenty of parking on your street on the weekend, while the weekdays might be a different story.

17. Lead with your head, then your heart

You want to fall in love with the house you're going to buy – but don't let that love blind you to aspects of the home that might not be suitable for you and your family. Be realistic with what you can afford. This is a big investment and you want to be thinking with your head before reacting with your heart.

18. Understand your commute

Before you make an offer on a home, drive to work from the house at your usual commute time to determine what your realistic commute time would be.

19. Research the schools

Even if you don't have children of school age, the quality of the schools can often have an impact on the future marketability and value of your home.

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20. What's around the home

Understand the zoning in and around the neighborhood – what could be built that could affect the value of your home. That open space that you love next to your home may be a new residential or commercial development in the future.

21. Home inspection contingency

It is at the buyer's option to order a home inspection, but it is an important aspect of your transaction. A home inspector evaluates the structural, mechanical, electrical condition of the property you are purchasing. This report can help you negotiate an adjustment to the purchase price, if necessary, or enable you to get out of the purchase agreement if the report reveals too many physical problems with the house.

22. Select an escrow company

Once your offer has been accepted and you sign a purchase agreement, escrow is opened. An escrow company is a neutral third party that works with the buyer, seller, agents, loan officers and other parties to your transaction to coordinate the obligations and paperwork necessary for closing. Your deposit goes into escrow, not to the seller or to one of the agents.

23. Understanding title insurance

A title insurance company conducts a title search to make sure that the property is free of any legal claims against it. You will need to buy a title insurance policy that insures your lender for any loss caused by a discrepancy in title to the property. In addition, an Owner's title policy protects the buyer from title defects.

24. Obtain the proper home owner's insurance

Home owner's insurance is not only a good idea, but is also required by the lender. Home owner's insurance protects you and the lender in the event of destruction, damage, theft and liability.

25. Keep an eye on interest rates and on market values

After you purchase your home, if you have private mortgage insurance (PMI), make sure to petition to eliminate the mortgage insurance once your loan to value ratio is at 80% (ask your lender the requirements for eliminating mortgage insurance). If you have an adjustable rate mortgage that you are seeking to refinance, keep an eye on interest rates to determine if refinancing is right for you.

How Coastal Housing Partnership can help save you money!

Check to see if your employer is a member of Coastal Housing Partnership. If so, you have the ability to significantly reduce your closing costs. Coastal Housing Partnership, a nonprofit organization, works with a network of service partners (real estate agents, lenders, home inspection firms, residential developers) who offer savings on the cost of their services for employees of member companies. In addition, Coastal Housing Partnership offers home buying education at no charge to employees of its member companies.