

WHY CONSIDER BUYING A HOME NOW?

With the abundance of homes on the market and mortgage rates at record lows, now is the ideal time to buy! In addition, there can be significant tax advantages along with the \$8,000.00 tax credit to eligible first-time home buyers who purchase a home before December 1, 2009.

WHEN SHOULD I CONSULT WITH A MORTGAGE LENDER?

It's important to know how much home you can buy prior to shopping around. That's why a mortgage pre-approval is highly recommended for first-time home buyers. It gets you started on the right track and is required when the time comes to make a formal offer on a property.

WHAT KIND OF INFORMATION WILL A LENDER NEED?

In general, they require two years of tax statements, pay stubs for at least a month and two to six months' worth of bank statements to start the approval process. You should also bring proof of any assets such as stocks or bonds and know your total credit-card debt.

HOW MUCH HOME CAN I REALLY AFFORD?

Don't spend every penny you qualify for. Take into consideration all of your financial obligations to determine a monthly payment you can afford. One ballpark guideline is that you shouldn't spend more than 2.5 times your annual household income on a home.

HOW MUCH IS A DOWN PAYMENT?

You need a minimum of 3.5 percent to 5 percent of the purchase price; however, 20 percent is considered ideal. If you can afford to pay 20 percent, you should get a better loan rate and you won't have to pay mortgage insurance, which can cost as much as \$50 or more per month for every \$100,000 financed. Mortgage insurance offsets the lender's losses if you're unable to repay the loan and the lender can't recover its costs from the sale of the property.

HOW MUCH CASH DO I NEED?

After the down payment, additional fees can add thousands to the total price. When you make an offer, you need to present earnest money – typically at least 1 percent of the offer – to prove you're a serious buyer. That money is deducted from your final closing costs, which are typically 2 percent to 5 percent of the purchase price. It's common to ask the seller to pay part or all of the closing costs, but they can decline. You'll also need about \$300 to \$500 for a home inspection, and you'll need to consider moving costs (including setting up new utility services) and overlapping housing payments in the event that your mortgage begins before rental obligations end.

WHAT'S INCLUDED IN MY MORTGAGE PAYMENT?

It typically includes property taxes, homeowners insurance, mortgage insurance (if you put less than 20 percent down) and sometimes homeowners-association fees – all in addition to the principal and interest you're paying on the loan itself. These fees can add hundreds of dollars to your monthly mortgage payment, so make sure you have a full understanding of everything you'll owe before you make an offer.

DO I NEED A REAL ESTATE AGENT?

Real estate agents are licensed professionals who can direct you to homes that match your wants and needs, help you formulate and place an offer, and ask for conditions such as a home warranty from the seller. They will help you understand an inspection report, negotiate any fixes you want the seller to make and help the process run smoothly. He or she should be able to answer all your questions and help you through the mountains of legal documents and angst through closing day.

WHAT ABOUT OPEN HOUSES?

It's fine to go to open houses, but disclose that you have a real-estate agent or the selling agent will want to claim you as a client.

HOW DO I KNOW IT'S THE RIGHT HOME?

Answer: Location, location, location. You have to first narrow your search by researching neighborhoods and pinpointing the specific community or area where you want to live. Then, make your list of must-haves and wants, including the number of bedrooms and baths, square footage and yard requirements. Prioritize what's most important. If you loathe a long commute, you may not be happy driving an hour to work, no matter how beautiful the home. If you long for peace and quiet, you probably won't be happy in the heart of the city.

WHICH IS BETTER... NEW CONSTRUCTION OR RESALE?

Answer: Where you choose to live will probably determine your choice here, but both have their advantages. Newer homes typically have a long warranty, fewer maintenance costs, may be more energy-efficient (depending on the builder) and have more modern fixtures and floor plans. Existing homes offer established neighborhoods, mature landscaping and interesting architectural details that may be tough to find in newer construction.

WHAT ABOUT FORECLOSURES AND SHORT SALES?

They can be a bargain – and you should explore them in your chosen neighborhood. However, purchasing these properties isn't a snap. Short sales happen when the home owner works with his/her bank to sell "quickly" and prevent foreclosure. The bank must accept or reject any offer and will do so at its own pace. Foreclosures are bank-owned and are almost always sold "as is." They've typically been vacant and can be in rough shape, so make sure you figure in the real cost of renovating.

WHAT SHOULD I EXAMINE BEFORE BUYING?

Check out the school district, crime rate and surrounding property values. Also, drive by the house during different times of the day and week to get a feel for the neighborhood.

WHAT OTHER EXPENSES COME WITH HOME OWNERSHIP?

First-time home buyers often forget about new expenses such as landscaping or furnishing a larger space. Utility bills also can be a shock. Find out an average monthly heating and cooling bill before you buy. Plus, it's wise to have enough in savings to be able to pay your mortgage for three months in the event of a job loss or furlough.

DO I NEED A HOME INSPECTION?

Yes. An inspection is important to detect things like roofing or structural problems that could cost thousands to fix. Buyers have 10 calendar days after an offer is accepted to inspect the property. If a home inspector finds there are costly or significant problems, you can back out of the offer and still get your earnest money, or you can ask the seller to fix the problems or refund the cost of repairs before closing.

WHY ISN'T THE LENDERS APPRAISAL SUFFICIENT?

Your lender will appraise the property to make sure its value covers the loan amount. They're less interested in whether the heater works and more interested in surrounding property values and whether they would be able to sell the home for at least the loan amount if you default.

WHAT HAPPENS AFTER THE INSPECTION PERIOD?

The loan rate and paperwork must be finalized with your lender, and arrangements have to be made to transfer your down payment and closing costs to the title company. If you've asked the seller to make any fixes, you need to do a final walk-through to verify the repairs. You typically must also secure homeowners insurance, which is generally bundled into your monthly mortgage payment. And you should transfer utilities into your name.

WHAT COULD DELAY CLOSING?

Just when you think everything is in order and your closing date is near, you'll probably have to answer a barrage of questions from the underwriter verifying the loan. Make sure to have copies of all the paperwork you shared with the lender and be prepared to answer even more detailed questions about your finances.

WHAT HAPPENS AT CLOSING?

Typically, you'll go to the title company to sign a mountain of documents. You'll need a photo ID for the signing, which takes about an hour. After the title company receives your down payment, closing costs and funds from the lender, the deed is recorded in the new owner's name. This is typically when your agent gives you the keys.

WHERE CAN I FIND MORE INFORMATION?

You can find mortgage calculators and home-buyer tips through Fannie Mae (fanniemaie.com), Freddie Mac (freddiemac.com) and the U.S. Department of Housing and Urban Development (hud.gov/buying).