
Tips for First-Time Homebuyers

Buying your first home is an exciting time. In addition to the personal and financial benefits such as gaining independence and equity, homeownership brings a great deal of responsibility. Gathering information and determining what you can afford is a good start. Fortunately there are a variety of resources to help you in the process.

Determine what you can afford.

The cost of your first home should reflect your lifestyle and income. It is dependent upon three factors:

- Downpayments
- Debt-to-income ratio
- Closing Costs

According to the U.S. Department of Housing and Urban Development (HUD), your housing payment, which includes your principal, interest, property taxes and homeowners insurance (PITI) should not be more than 25 to 30 percent of your monthly gross income. You can also contact your REALTOR® to help you estimate your monthly costs.

Shop for a loan.

There are a variety of low-interest and down payment assistance programs available to new homeowners throughout the state. Typically, a first-time homebuyer will decide on a fixed-rate mortgage to account for unexpected expenses. The best way to prepare for a loan application is to improve your credit. Lenders will be more eager to work with you and you will secure a better interest rate. Every case is different however so you should be sure to talk to your lender to understand all of your mortgage options.

Shop for the home.

Once you have been pre-approved for your loan, you can begin actively searching for your new home. To start, develop a wish list including features that are most important to you in a new home. How many bedrooms will you require? Does your new home need to be in a certain school district? Next, search the Internet and drive around neighborhoods that appeal to you then contact your REALTOR® to help narrow your choices.

Here are some skills REALTORS® bring to the process:

- Knowledge of the local market
- Financing information
- Legal issues for property owners
- A network of other professional REALTORS® locally and nationally
- Access to the Multiple Listing Service and affordable housing programs

Inspect, negotiate and buy.

The final step in securing your first home is to conduct a home inspection. Your REALTOR® can recommend a licensed home inspector or you can interview candidates as you see fit. An inspection should point out any flaws that may turn into major expenses once you are in the home.