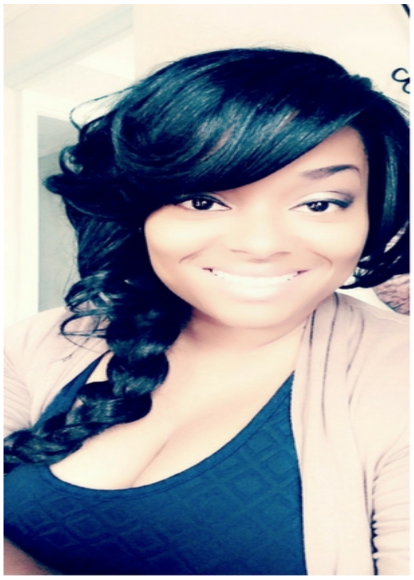

Sherri Parsons

REAL ESTATE AGENT

1st Class REAL ESTATE

TOP 10 THINGS YOU NEED TO KNOW
<u>BEFORE PURCHASING YOUR HOME</u>

1. **Your home ownership journey begins at least 6 months prior to purchase.** During this time, you should be getting your credit in order, know what’s on your credit report, don’t open any accounts, don’t create any new debt. This is the time that you gather the necessary information you need to begin to apply for your mortgage loan.

2. **Start to save for expenses.** Start to put some money away for a down payment and costs and expenses of the home buying process. Typically, buyers will have certain out of pocket expenses during the home buying process. Home inspections, appraisals, earnest money deposits, etc. are expenses that you will incur during the home buying process. You will need to save at least $1500-$2000 to prepare for these expenses.

3. **Research your loan products and speak with a lender.** One of the number 1 mistakes made by home buyers is NOT shopping around for a mortgage! Also don't assume you can shop one mortgage lender today and another one next week. There is market volatility in the mortgage market so you really need to sit down, and get ready to contact a few banks. If you do it now, odds are good you can lock in your rate for a while.

4. **Get PRE-QUALIFIED.** This is important, this helps you to know how much money you are able to spend and what type of house you can look for. You don’t want to look at a $200,000.00 house when your pre-approval is for $150,000.00.

5. **Use a TRUSTED real estate agent.** Potential buyers should keep in mind that a listing agent (the agent representing the seller) doesn't protect your interests and "that agent would simply pocket both sides of the commission." That means that you're not saving money. A savvy realtor who works for you can protect your interests and guide you through the buying process - from negotiating a price to navigating home inspections.

6. **Remember that a house purchase involves a contract.** When you're buying a house, there are papers to sign. And more papers to sign. Many of those papers - which are actually contracts - look like "standard" home buying contracts with no room for negotiation. That isn't true. Contracts are meant to be negotiated. You don't have to sign a standard agreement. If you want more time to review your inspection, wish to waive a radon test or want to make a purchase

subject to a mortgage approval, you can make that part of the deal. That's where a savvy real estate agent can help. See again #5.

7. **Don't necessarily buy for the life you have today.** Chances are that buying a house will be one of the bigger financial commitments you'll make in your lifetime. Before you agree to buy what you think might be your dream house, consider your long-term plans. Are you planning on staying at your current job? Getting married? Having kids? Depending on the market and the terms of your mortgage, you may not actually pay down any real equity for between five and seven years: if you aren't sure that your house will be the house for you in a few years, you may want to keep looking.

8. **Buy the house you know that you can afford.** This can be different from the price that your mortgage company believes that you can afford. When my husband and I bought our first house, we were approved for a mortgage of about three times more than we ultimately ended up spending. Fresh out of law school and working for established firms, our finances looked good on paper. But we dialed back our expectations because we weren't convinced that our income and expenses would remain at those levels. We were right: two years later, we started our own business just as the economy turned south. The less expensive house meant that we could still make our payments even with less income in pocket. So what's the best ratio to use? Some lenders suggest that you can afford mortgage payments totaling about 1/3 of your gross income but others suggest closer to 28% for housing related costs including mortgage, insurance and taxes. There are a number of factors including your projected income, interest rates, type of mortgage and the market. Ask your mortgage broker to help you understand what's in play.

9. **Consider your student loan debt.** Following the housing crisis, lending laws tightened. Student debt isn't merely an annoyance: it's treated like real debt. A major revision to FHA guidelines in 2015 negatively affects many first-time homebuyers with student loan debt. Prior to this change, a borrower with student loans deferred for more than 12 months could discount that debt from their liabilities: now, for purposes of determining purchasing power, a borrower is charged with 2% of the outstanding balance of the student loan regardless of deferment status (in a non-FHA, or conventional loan, it's just 1%). If your student loan is in deferment and you’re planning on buying a home, enroll in a properly documented income-based repayment plan so you have the documents your lender will need to properly assess your ongoing liability.

10. **Look beyond paint.** It's often the case that your dream house has that one room that you're already fantasizing about changing. It’s fairly inexpensive to fix cosmetic issues (a bit of paint or some wallpaper) but making changes to kitchens and baths can be expensive. She says, "People tend to focus on the cost of cabinets, appliances and counters but sometimes forget about the cost of labor which can double to triple the cost." That doesn't mean that you should give up on a house in need of a significant fix but you should factor in those costs when determining whether you can afford to buy.