How To Buy Your First Home

By Curt Hagedorn

In these days of low interest rates and a booming housing market, there's probably no better time to buy your first home. Whether a freestanding house, condominium or coop or even an income property like a duplex where you live in one half and rent the other, there are many advantages to ownership over renting and apartment or house, from the building of equity to tax breaks for homeowners, but there are also pitfalls of which the first time home buyer should be aware.

- Take it slow. Once you decide to buy a home, there's a temptation to immediately begin looking, and a temptation to fall in love with something that you're in no way prepared to purchase. So get your ducks in a row first – get copies of your credit reports, clear up any discrepancies – depending upon your credit rating and overall credit score you might want to wait from six months to a year during which you're scrupulous about paying bills on time, etc. in order to improve your rating if necessary and sit down and figure out a total budget and a realistic monthly payment.
- Save. Though there are mortgages out there where lenders may give you a loan without a down payment, they're not at those low rates you see advertised. You should have at least a target down payment of ten percent of the top price range of the home you're looking for and of course the more you put down, the less you have to finance – if your credit is impeccable and you qualify for the lowest interest rates, ask your financial adviser whether your money is better invested in a home or in other interest earning financial products.
- Pre-qualify. Once you've learned and done everything you can to spiff up your credit rating and save up an adequate down payment, go to your bank or other reputable mortgage lender and pre-qualify for a home loan. Many realtors in competitive markets will not even work with you if you have not already pre-qualified for a loan in the amount of the prices of the homes you're looking at. Pre-qualifying for a loan does not obligate you to take a loan from that financial institution, but offers a good benchmark of how much money you can borrow and also, most importantly, what your monthly payment and other obligations like insurance will be before you even look at a home.
- Be ready for disappointment. Owning your own home is an exciting prospect and no matter what price range you're looking in, you're going to eventually find that perfect home and make an offer. Unfortunately, unless you're extremely lucky, you won't be the only people who think that your dream home is their dream home, particularly if you're looking at a previously owned property. You might make any number of offers before you're accepted, so don't get your heart set on any one property unless you're willing to offer more than the asking price. And though you may be tempted, never blow your budget, you can easily find yourself in a situation where your entire financial picture has to be altered and with payments you can't afford if you keep inching up from $200,000 to $250,000 to $300,000 and so on.

- Ask questions and get professional advice at every stage of the game, from your financial advisors to your lenders to your realtors and particularly to the professionals you hire to inspect and otherwise check out potential home purchases. Make sure you take an in-depth look at the home you're buying and don't just focus on the features you love like those upgraded bathroom fixtures or modern kitchen. The foundation, any signs of water leakage anywhere in the home, a musty smell, an aging roof or HVAC systems, even patches in the lawn can indicate serious problems with water, drainage, termites, plumbing and so on that could be huge expenses waiting to happen. And of course, NEVER put any money down or make any agreements or sign any papers without first checking with an accountant, lawyer or other real estate professional, if something is fishy to you, it probably is.