

April 28, 2010

Great expectations

A guide to buying your first home

By Dawn Klingensmith, CTW Features

If you do not own a home, you might as well buy one because you're already contributing to a mortgage -- your landlord's.

That's one case for homeownership broker Carolyn Warren makes on her website, mortgage-helper.com. Although it's easy to understand the benefits of owning a home the buying process can be daunting.

"I think everyone should have to take a little class so they know what they're getting themselves into," says mortgage banker Mary Ann McGarry, adding that such classes are widely available free through various organizations.

Here, we offer a sort of study guide in homebuying, from setting a budget to signing on the dotted line.

KNOW YOUR CREDIT HISTORY AND SCORE

Check your credit report, resolve any inaccuracies and bone up on ways to boost your score if necessary.

Track your fixed living expenses, discretionary expenses and miscellaneous purchases for 60 days to establish a target monthly mortgage payment based on your income relative to your expenses. At the same time, look into programs that offer down payment assistance to first-time buyers.

On top of a down payment, a buyer should have a "home expense fund" totaling 2 percent of the projected purchase price. So if you're looking at homes in the \$200,000 range, you should have \$6,000 squirreled away for the ongoing costs of home ownership, including upkeep, emergency repairs and household purchases, such as a lawn mower and window blinds, says personal finance expert Lynnette Khalfani-Cox, author of *Your First Home: The Smart Way to Get It and Keep It* (Advantage World Press, 2008).

MAKE A PROPERTY WISH LIST

Decide on features you want, and then prioritize them, suggests real estate broker Gea Elika. For example, how close do you need to be to public transportation, an expressway, an airport or a playground? How many bedrooms do you need?

GET PRE-APPROVED AND GET HUNTING

Organize the documentation a lender will need to pre-approve a loan, including bank statements, pay stubs, personal identification and tax forms. Get pre-approved for a loan before you start house hunting, and then select a buyer's agent.

"An agent can pre-screen homes for you so you don't waste time looking at houses that don't fit your requirements," Khalfani-Cox says.

When house hunting, don't call the agent on the for-sale sign. "When you go directly to a listing agent, you're not fully protected," says broker Sang Oh. "The listing agent's position is to represent the seller and protect their interests by trying to get them the highest price."

Bring along a notepad and digital camera when visiting properties, Khalfani-Cox suggests. After looking at several homes, it's difficult to remember which one had the Viking oven range and which had the koi pond.

Your buyer's agent will prepare and submit an offer when you find what you hope will be "Home Sweet Home." Once price and other details have been negotiated, ask your buyer's agent to forward a copy to your loan officer, and lock in your interest rate.

GET INSPECTED

Get a home inspection even if you're buying new construction. You will receive a detailed report of any code violations and repairs that might need to be made, which will be your basis for further negotiations, Warren says.

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Sometimes when sizing up a house, people are so charmed by features or get so caught up picturing themselves decorating and entertaining that they don't notice flaws both large and small, like a lack of closet space. Other times, they focus on things that don't matter in the grand scheme of a home purchase. To avoid buyer's remorse, heed these do's and don'ts.

DO

"Visit the house at different times of day, as traffic, noise level and neighbor behavior may vary," says real estate broker Diane Saatchi.

Take a measuring tape to make sure your furniture and other items fit in the new space.

See to it that utility costs are verified and adjusted for your use. For example, the sellers' heating costs may be low because they go south for the winter.

Compromise, when necessary, on things that can be switched out, updated or fixed most easily. For example, if both a basement and a garage are on your wish list, "it's best to go with the basement, knowing a garage can be added later," Saatchi says.

"Avoid buying homes in areas that are economically depressed, crime-ridden or poorly situated. Think about the prospect of selling the home down the road," Khalfani-Cox says. You might not be bothered living by train tracks or a busy highway, but a poor location is a turnoff for prospective buyers.

DON'T

Be so concerned about resale that you forget your needs.

Be seduced by trims and trappings; you're not buying the décor. "Don't let emotions cause you to pay for what you will not be getting. Sellers stage because buyers pay more for well-dressed homes," Saatchi says.

Quibble over little things like mismatched switch plates -- especially if it's a ploy to downplay your interest. Some sellers' agents say they love it when you fuss over details because it means you are picturing yourself there, Khalfani-Cox says.

Allow the home inspector's report to shatter your confidence and resolve if no major defects turn up. The document will be long and detailed, including such minor flaws as a missing cabinet knob.

Overlook the quality of the school district -- even if you don't have kids. "It's often a big selling point for a home," Erika says, "so it's a factor to consider, as it may impact your home's resale value."

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