



# FIRST TIME HOME BUYER TIPS

**With North Idaho being one of the nations hottest real estate markets, I have compiled a few tips to help keep FIRST TIME HOME BUYERS in the race.**

## **Preparing to buy tips**

### **1. Start saving early**

Here are the main costs to consider when saving for a home:

- **Down payment:** Your down payment requirement will depend on the type of mortgage you choose and the lender. Some conventional loans aimed at first-time home buyers with excellent credit allow as little as 3% down. For example, a 3% down payment on a \$300,000 home is \$9,000.
- **Closing costs:** These are the fees and expenses you pay to finalize your mortgage, and they typically range from 2% to 5% of the loan amount. Sometimes you can ask the seller to pay a portion of your closing costs.
- **Move-in expenses:** You'll need some cash after the home purchase. Set some money aside for immediate home repairs, upgrades and furnishings if needed.

### **2. Decide how much home you can afford**

Figure out how much you can safely spend on a house before starting to shop. There are many affordability calculators that can help with setting a price range based on your income, debt, down payment, credit score and where you plan to live.

### **3. Check and strengthen your credit**

Your credit score will determine whether you qualify for a mortgage and affect the interest rate lenders will offer. Take these steps to strengthen your credit score to buy a house:

- Get free copies of your credit reports from each of the three credit bureaus — Experian, Equifax and TransUnion — and dispute any errors that could hurt your score.
- Pay all your bills on time and keep credit card balances as low as possible.
- Keep current credit cards open. Closing a card will increase the portion of available credit you use, which can lower your score.

#### **4. Explore mortgage options**

A variety of mortgages are available with varying down payment and eligibility requirements. Here are the main categories:

- Conventional mortgages are not guaranteed by the government. Some conventional loans targeted at first-time buyers require as little as 3% down.
- FHA loans are insured by the Federal Housing Administration and allow down payments as low as 3.5%.
- USDA loans are guaranteed by the U.S. Department of Agriculture. They are for rural home buyers and usually require no down payment.
- VA loans are guaranteed by the Department of Veterans Affairs. They are for current and veteran military service members and usually require no down payment.

#### **5. Research first-time home buyer assistance programs**

Many states and some cities and counties offer first-time home buyer programs, which often combine low-interest-rate mortgages with down payment assistance and closing cost assistance. Tax credits are also available through some first-time home buyer programs.

#### **6. Compare mortgage rates and fees**

The Consumer Financial Protection Bureau recommends requesting loan estimates for the same type of mortgage from multiple lenders to compare the costs, including interest rates and possible origination fees. Lenders may offer the opportunity to buy discount points, which are fees the borrower pays upfront to lower the interest rate. Buying points can make sense if you have the money on hand and plan to stay in the home for a long time. Use a discount points calculator to decide.

#### **7. Get a preapproval letter**

A mortgage preapproval is a lender's offer in writing to loan you a certain amount under specific terms. Having a preapproval letter shows home sellers and real estate agents that you're a serious buyer, and can give you an edge over home shoppers who haven't taken this step yet. Apply for preapproval when you're ready to start home shopping. A lender will pull your credit and review documents to verify your income, assets and debt. Applying for preapproval from more than one lender to shop rates shouldn't hurt your credit score as long as you apply for them within a limited time frame, such as 30 days.

#### **Home shopping tips**

##### **8. Choose a real estate agent carefully**

A good real estate agent will scour the market for homes that meet your needs and guide you through the negotiation and closing process. Get agent referrals from other recent home buyers. Interview at least a few agents, and request references. When speaking with potential agents, ask about their experience helping first-time home buyers in your market and how they plan to help you find a home.

##### **9. Pick the right type of house and neighborhood**

Weigh the pros and cons of different types of homes, given your lifestyle and budget. A condominium or townhome may be more affordable than a single-family home, but shared walls with neighbors will mean less privacy. Don't forget to budget for homeowners association fees when shopping for condos and townhomes, or houses in planned or gated communities. Another option to consider is buying a fixer-upper — a single-family home in need of updates or repairs. Fixer-uppers usually sell for less per square foot than move-in ready homes. However, you may need to budget extra for repairs and remodeling. Renovation mortgages finance both the home price and the cost of improvements in one loan.

## **10. Stick to your budget**

A lender may offer to loan you more than what is comfortably affordable, or you may feel pressure to spend outside your comfort zone to beat another buyer's offer. To avoid financial stress down the road, set a price range based on your budget, and then stick to it.

Look at properties below your price limit to give some wiggle room for bidding in a competitive market.

## **11. Make the most of open houses**

Online 3D home tours have become more popular amid the COVID-19 pandemic. These tours let shoppers virtually walk through a home at any hour and observe details that regular photos don't catch. They don't supply all the information in-person visits do — like how the carpets smell — but they can help you narrow the list of properties to visit.

Open your senses when touring homes in person. Listen for noise, pay attention to any odors and look at the overall condition of the home inside and out. Ask about the type and age of the electrical and plumbing systems and the roof.

## **Home purchasing tips**

### **12. Pay for a home inspection**

A home inspection is a thorough assessment of the structure and mechanical systems.

Professional inspectors look for potential problems, so you can make an informed decision about buying the property. Here are some things to keep in mind:

- Standard inspections don't test for things like radon, mold or pests. Understand what's included in the inspection and what other inspections you might need.
- Make sure the inspector can get to every part of the house, such as the roof and any crawl spaces.
- Traditionally the buyer attends the inspection. By following the inspector around you can get a better understanding of the home and ask questions on the spot. If you can't attend the inspection, review the inspector's report carefully and ask about anything that's unclear.

### **13. Negotiate with the seller**

You may be able to save money by asking the seller to pay for repairs in advance or lower the price to cover the cost of repairs you'll have to make later. You may also ask the seller to pay some of the closing costs. But keep in mind that lenders may limit the portion of closing costs the seller can pay. Your negotiating power will depend on the local market. It's tougher to drive a hard bargain when there are more buyers than homes for sale. Work with your real estate agent to understand the local market and strategize accordingly.

### **14. Buy adequate home insurance**

Your lender will require you to buy homeowners insurance before closing the deal. Home insurance covers the cost to repair or replace your home and belongings if they're damaged by an incident covered in the policy. It also provides liability insurance if you're held responsible for an injury or accident. Buy enough home insurance to cover the cost of rebuilding the home if it's destroyed.