

First Time Home Buyer Guide

Complete First Time Home Buyer Guide.

The home buying process can be quite complex, even for those who have been through it a few times. For the first time home buyer, the process can seem impossible. This guide breaks down the home buying process into 15 steps, with information and resources provided to make each step achievable. Also, most states offer first time home buyer grants and low interest loans for those within specific income limits. For most people, these programs can make the difference between being able to afford your first home or not.

Here are the 15 steps to buying your first home:

1. Establish good credit.

The first step in the home buying process is establishing good credit. Banks and mortgage lenders will not lend to first time home buyers unless the borrower has a history of borrowing money and paying it back in a timely manner. If you have absolutely no credit references, you will need to get some. The most basic way to do this is to visit a local bank and deposit a small amount, let's say \$500. You would then apply for a \$500 loan, using the money that you deposited as security for the loan. This is the simplest, quickest way to establish a good credit report.

If the loan term is for 6 months, make payments for the first 3 months, then pay the entire loan off. Repeat the process with larger and larger amounts. This will build up an excellent track record. Do this repeatedly, and you'll progress to a point where you don't need to deposit any money as security, your track record will be strong enough to be able to borrow with just your signature.

Unless you are independently wealthy, or come from a wealthy family, the process of becoming a first time home buyer starts with establishing a good credit history. At the same time that you are building your credit with bank loans as just described, you should also be using credit cards responsibly as well. This means paying off the entire balance every month.

2. Raise your credit score.

A high credit score is one of the most important elements to the first time home buyer. Home buyers with high credit scores are able to get the lowest interest rates on home mortgages. As a first time home buyer, it is doubly important to have a high credit score. Here are the basic tactics for getting a high credit score.

- A. Always pay your bills on time.
- B. Keep your credit card balances at zero, or at least very low.
- C. Make more than the minimum monthly payments.
- D. Negotiate to remove negative items from your credit report.
- E. Borrow great credit from a relative or close friend.

For more in depth information on raising your credit score, we suggest you send for an excellent free kit. Improving your credit score will likely take a minimum of 2 months, but will be well worth the wait. By getting a higher credit score, you will greatly increase your chances of approval on the loan as well as

qualify for the lowest rates given only to those people who have the best credit rating. This complete kit is available for free. You simply pay \$1.97 for shipping.

3. Save for a down payment & closing costs.

When buying your first home, you'll need money for a down payment as well as closing costs. This applies to previous home owners as well as first time home buyers. Lenders want borrowers to have a vested interest in the property. If you've put your own money into the house, you will be less likely to walk simply away from the property.

It is very important to start saving immediately. Set aside a certain amount every pay period and stick to it. Learn to live on what remains. Save now for your future, and your future will take care of you. It will be very, very beneficial to save every week, even if it is a meager amount. We strongly suggest that you open an account and discipline yourself to set aside a certain amount every week. It is a habit that will pay dividends the rest of your life. Even if you only save \$10 per week, it is a great habit to develop. We highly suggest you discipline yourself to save a certain amount each and every week.

4. Keep detailed records of money spent.

First time home buyers (and everyone else for that matter!) should develop a sound budget. To gain control of your money And how you spend it we recommend that you keep track of every single purchase, no matter how small, for a period of one month. At the end of this period, categorize this information to see the exact breakdown of where your money is spent. you'll be able to easily see where there is room for improvement in your budget. The important point to stress here is to live within your means. The more you save, the quicker you'll reach your goal of buying your first time home.

5. Develop a financial plan.

When constructing a house, builders use a set of blueprints as a detailed plan they follow to accomplish the goal. In like manner, first time home buyers need a financial plan to follow in order to achieve the goal: buying your first house and moving in. To buy that first house you should set a goal of saving 20% of the purchase price to use as the down payment. There are programs that will allow you to put less than 20% down, including mortgage insurance where you can purchase a home with a down payment of 5% or less.

We cannot stress enough that the first time home buyer need to develop a financial plan and stick to it.

6. Establish a relationship with an agent.

Any potential first time home buyer would benefit greatly by early on establishing a relationship with a real estate broker that specializes in working with first time home buyers. As with any profession, the range of expertise will vary from agent to agent. Shop around until you find one that you are Satisfied with. Remember to inform each prospective agent that you are a first time home buyer, as many agents have their specialties. Some agents like to work only with real estate investors. While some prefer to specialize in waterfront property. By declaring up front that you are a first time home buyer, you won't be wasting time trying to develop a working relationship with an agent that has a specialty that doesn't match your need.

Your agent will be your link to all the property in your area that is currently for sale. Agents can provide a

treasure trove of information on the entire buying and selling process. As a first time home buyer, you definitely should seek the help of a professional agent. There is a new service for finding real estate agents that we highly recommend. Not only can you find an agent, but with this service you can have agents compete for your business by offering part of the commission back to you in the form of a rebate. Imagine getting a check for \$500, \$1,000, \$1,500 or more back from the agent after you have bought your first home. There is no charge whatsoever to use the service.

7. Study market values.

When buying your first home, you will not want to pay more for a house than the house is worth. Along the same line, you will likely want to find a great deal. The only way to find a great deal is to study the market values in your area. Over time, you'll develop a mental database of comparable properties and get a sense for which properties are overpriced and which ones are under priced. Your first home will likely not be your last. The average American sells her home and moves into another every 7 years. As a first time home buyer, you will benefit greatly if you purchase a home for less than what it is worth. This instant equity will boost the profit and cash to you when it is time to sell.

8. Get Pre-approved for a mortgage.

Not all lenders are created equal: some will be very efficient and helpful in dealing with the first time home buyer, and some will not. However, getting pre-approved for a mortgage is an important step in the first time home buyer process. With a pre-approval, your offer will carry more clout with the seller, and you'll be in a position to close on the purchase more quickly. This is important to many sellers. Offering a quick closing is also a powerful tactic in negotiating a discount off the purchase price.

9. Decide your needs and wants within your budget.

Builders, brokers, and bankers all know that the typical first time home buyer has a tendency to be overly enthusiastic; they've all seen it repeatedly. As a first time home buyer, you'll need to be aware of this temptation and really focus on making choices that fit within your budget. Everyone would like 5 bedrooms and 5 baths in their first home, but not everyone can afford such luxuries. When you buy your first Home, you'll be taking on a major financial commitment. There will be lots of incidental expenditures. As a first time home buyer, those incidental costs can really add up and strain your budget. Be careful not to overspend on the house that you choose.

It is important to spend ample time on steps 4, 5, and 8. These steps will help you know and understand your budget. Once you know your budget and the price range of homes your budget will allow, you'll be able to shop for the right home. Again, avoid the trap that most first time home buyers fall into: don't stretch your budget beyond what it can handle.

10. Shop for the right home.

With the exception of moving in, shopping for the right home will likely be the most exciting step for first time home buyers. By this time you should have already established a working relationship with a real estate agent that specializes in working with the first time home buyer. You should already know your budget and how much you can afford to spend on your first home. You'll need to summarize all this information for your agent to use to suggest certain homes to visit. Start with the price range. Let your agent know how much you are qualified to spend. Then list amenities that you desire such as number of bedrooms, and additional items such as a deck, fireplace, whirlpool tub, etc. If you are hoping to purchase your first home in a certain area, or within a certain distance from work, let your agent know that too.

The more information that you give to your agent, the more time can be saved by everyone. Your first home may not have everything included that you could possibly want, so decide which items are negotiable, and which aren't. Let your agent know. The more homes that you visit, the more knowledge you'll develop regarding property values in your area, and which homes you like and which homes you don't in your price range. However, being a first time home buyer, you'll need to understand that your agent gets paid on commission (usually paid for by the seller). Therefore, your agent will not want to spend the next 3 years showing you 500 different properties without you actually making a purchase. Likewise, you would not want the agent simply showing you one home in your price range then pressuring you to make an offer.

An ideal world for the agent would be one sale for each time she shows a home. On the other side of that same coin, an ideal world for the first time home buyer would be the opportunity to look at several hundred homes or more before ever making an offer. The ideal world doesn't exist for either the agent or the first time home buyer. Reality will be somewhere in between. You'll want to look at a reasonable selection of homes in your price range. That will be a good compromise for both the agent and the first time home buyer.

11. Learn about the elements and terms of a sales contract.

As a first time home buyer, by definition you've never been a party to a real estate purchase and sale agreement. You'll need to do some studying to learn the elements and terms of a sales contract. Here is a short list of the basic elements of a real estate contract:

Acceptance: How much time the seller has to either accept the offer or to provide a counter-offer.

Closing: A future date by which time the closing will take place.

Description: A legal description of the property as well as the street address.

Deposit: How much initial money is included with the contract and who will hold it.

Financing Contingency: A clause that states the entire contract is subject to the purchaser being able to obtain a mortgage loan of X amount, by a certain date. First time home buyers should make sure their agent includes this clause in the contract.

Home Inspection: The contract can be contingent upon a satisfactory home inspection to be done by a qualified professional within X number of days.

Inclusions and Exclusions: Some items in a home are not considered part of the real estate, but are instead personal property. Refrigerators and washing machines fit this category. This clause should state exactly what is included in the sale, and what isn't.

Insurance: Who will insure the property until closing.

Price: The amount of money the buyer will be paying to the seller.

Possession Date: The date on which the buyer will receive possession of the property.

Your agent knows each element of the contract in detail. She can answer any questions that you may have in this area.

12. Choose the right neighborhood.

It seems quite ironic that you should be thinking of selling your house before you even buy your first home. But that is exactly what every first time home buyer should do! There will come a time when you'll want or need to sell your home. This may come out of a desire to upgrade your home, or maybe due to a job relocation to another city. If you choose the right neighborhood when you purchase your first home, you'll be rewarded with a higher value home that will be easier to sell, when that time arrives.

Some items that a first time home buyer should look for when searching for a great neighborhood are:

A. Located in a good school district.

Is there a particular school in your area that is a recognized favorite? If so, you'll want to buy a home within that district. If this school appeals to you as a first time home buyer, it will also appeal to the next first time home buyer who comes along and wants to purchase your home from you in the future.

B. Is the area improving or in decline?

You'll want to consider that point carefully. While an area may be acceptable to you now, if it is in a state of decline, by the time you are ready to sell, the next buyer may not find the area acceptable.

C. Is the area close to many popular attractions?

Being located next to parks, beaches, lakes, mountains, and wilderness is important to both the first time home buyer as well as the seasoned homeowner. Choose an area that is convenient to popular locations.

D. Choose your neighbors carefully.

If there is an obnoxious neighbor right next door to the first home you plan to purchase, think twice about it. Nobody wants to live next to an eyesore, nor do they want to be kept up all night by loud, uncontrolled behavior from their neighbor. Do your homework. Knock on doors if you have to. Find out what the neighbors are like. If you follow these steps, you'll be a happy first time home buyer instead of a disappointed one.

13. Submit your offer.

After completing the first dozen steps in this guide, the first time home buyer can confidently submit an offer. If you've followed these steps up to this point, you are well armed with the necessary info to purchase your first home. Making your offer is an art, not a science. Dozens of books have been written explaining techniques and methods of successful real estate negotiation. Here are some basic negotiation guidelines:

A. Know the seller. It goes without saying that you want to purchase the house for as little as possible, and the seller wants to sell the house for as much as possible. Somewhere in between is the settlement range. Try to find out what the seller wants besides a high price? A quick closing, or a delayed one? Does the home need some work like new carpet, new siding or windows? Does the seller want to get this work done, or would she rather not deal with the hassle? The more info you can gather, the better position you are in to negotiate a win/win situation.

B. Determine what would be the best case and worst case scenarios. Once you've done this, decide how much risk is involved. How bad do you want this house? Are you willing to loose the deal to try to get your best case scenario? Only you can answer that question.

C. Be professional at all times. The best negotiators remain emotionally neutral throughout the negotiation process. By doing so, it is much easier to remain professional. If you are insulted or upset during the negotiation process, you'll likely make decisions based upon your elevated emotions, rather than logic. Rarely will emotional decisions be correct. Try your best to remain unemotional. This is particularly difficult for a first time home buyer, as buying your first home is a very, very emotional event. However, the more professional you are, the more likely you are to succeed in your negotiations.

14. Arrange for a home inspection.

Even experienced real estate investors will depend on a qualified home inspector. This should be doubly true for the first time home buyer. Qualified home inspectors will examine in detail such items as roofing,

heating and air conditioning systems, structural integrity, siding, windows, plumbing and electrical systems. Deficiencies in any of these components will be brought to your attention in a detailed written report. We highly recommend that every first time home buyer consult with a qualified home inspector. You should make your offer contingent upon a satisfactory report.

15. Arrange for homeowners insurance.

All real estate owners should have homeowners insurance, and the soon-to-be first time home buyer is included in this group.

Congratulations! You are about to become a first time home buyer! You are now ready to make your moving plans. The easiest, but most expensive option is to hire a professional moving company. Your agent can probably recommend a few good movers. However, if you want to save several thousand dollars, Gather a group of friends and have a moving party. You and a dozen friends can really make short work of moving.

That's it. You are now ready to enjoy the fruits of your labor and planning. We wish you many years of enjoyment in your first new home!