

Tips (and Tales) for a First-Time Home Buyer

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For many people, buying a first home is a rite of passage and ownership in part of the American dream. And while many excited hours are spent planning interior color schemes, choosing new furniture and dreaming of moving day, many first-time buyers spend equal amounts of time fretting and fearing the home buying process. Let's face it, if you've never purchased a home before, the prospect can seem downright intimidating. There are many decisions to make—legal, financial and emotional, just to name a few. Luckily, there are steps you can take to ensure an enjoyable experience.

Do Your Research

Information is essential. Being an educated consumer puts you on the best track when you do start searching for a home. For example, many first-timers think that it's cheaper to rent than to buy or that you have to be a permanent resident of the United States to buy a home. In reality, you only need a work permit to be a homeowner and in some cases, the downpayment for a new home can be the same as the starter costs for renting.

Not only do first-time buyers need to be informed about the home buying process and requirements, it is crucial to audit needs and wants as well before beginning the process. Determine parameters ahead of time and make sure you know the difference between what you need in a home and what you want. Many first-timers misinterpret a want as a need and as a result dismiss homes that perfectly fit their needs during their search. Examples of needs include square footage, number of bedrooms, garages, adaptation for the handicapped or school proximity. Examples of wants include wood floors, skylights, paint color and specific brands of appliances.

Talking with those who have recently been through the process, attending home buying seminars, visiting a local realtor for information (this should not be a meeting that ends in agreement for representation) or talking with a builder sales agent at a new community are all good ways to do your research. Remember, home buying processes where you live may work differently than in other states, so avoid relying solely on an out-of-state relative's advice.

Focus on Your Financials

One of the first things a first-time buyer should do before beginning the process is to get a good financial picture in order. Developing a home buying budget will save you surprises later in the process. New home sales and marketing professionals are excellent resources for getting home finance information. Their job is to educate consumers about home purchasing and finance options. Lenders also can help you gain an understanding of how a home is financed. And don't forget to regularly review your credit reports from the three top credit scoring companies.

"I definitely would emphasize reviewing your credit reports before beginning the home buying process," said Shane Maguire, a 27 year old first-time homeowner in the Rancho Penasquitos area of San Diego, Calif. "My wife and I have excellent credit but, after

consolidating some student loans, there was a mistake on my report due to the length of time it took to process the consolidation. It took several hours to straighten that up for the lender.”

There are four crucial financial elements to be aware of when buying a home: mortgage pre-approval, downpayment, mortgage options and closing costs. Investigate the costs for each of these elements and make sure to always get comparison offers from lenders.

“I looked at all the rates and options to figure out what I could afford,” said Ann Michelle Pflueger, a 27-year old Fort Lauderdale, Fla. resident who bought her first home three years ago. “You have to be comfortable with paying a certain amount for a mortgage, but be aware that there also are extraneous costs to remember including insurance, taxes and homeowner’s association dues.”

Find Good Representation

Having a representative you can trust to help you through the process can make a huge difference to the first-time home buyer. In the world of real estate, it may be easy to think everyone carries more weight than you in the process, especially if it’s your first time. But the truth is that the consumer is the most important person in the process. If you decide not to buy, the entire process stops. So flex your consumer muscle. Demand good representation, whether it is your builder, your realtor or your mortgage lender. Make sure your questions are answered and that you fully understand each step in the process.

“Our first experience buying a house worked out great,” said Leocadia Conlon, a 31-year old from Alexandria, Va. who bought her first house when she was 28 and her husband was 29. “One of the main reasons for that was that we had a great realtor who walked us through absolutely everything, was sincere and genuinely wanted to help us.”

Plueger didn’t have that same experience with her first home and, looking back, would place more emphasis on finding good representation. “The realtor I worked with was not much help at all. Having someone you trust to help you through the process—no matter if it’s from a realtor point of view or a financial one—can really make things easier.”

If you are building a new home, talk with your builder and his or her sales staff about who they have worked with in the past. Word-of-mouth recommendations tend to be the best way to find a great representative, such as an attorney to review your purchase contract.

Ask the Right Questions

Having good representation in your corner is important, and one of the signs of good representation is that they ask you numerous questions. But what kind of questions should you ask them? When you meet with potential realtors, lenders or builder sales agents, make sure to spend at least 15-30 minutes discussing what to expect when you’re buying a home. If you are working with a builder, ask them for some guidance. They’ve been through the process of selling a home plenty of times; all that experience is sure to help you out.

If you decide to work with an agent or realtor, who helps put together the offer? What kind of disclosures are sellers required to give buyers in your area? Who does the title search? What types of home inspections are standard in your area? How much can you expect to pay for closing costs? There are various types of mortgage products out there; how do you know which is the best one for you? There is an abundance of online resources to help you determine the right questions to ask. Remember, don’t be shy. You should always demand a full and complete explanation from any professional working on your behalf.

Keep a Cool Head

With all the details that are involved with buying your first home, simple problems can easily seem like bigger ones when you over-react. Remember to keep a cool head and be patient with the process. Unexpected events can move your closing date or add extra steps. Expect that this can happen going in and you'll save yourself undue stress. "We were unable to purchase homeowner's insurance initially because there were hurricanes out in the oceans for weeks," said Pfleuger. "Even though you have a closing date, there are many factors that may cause that date to get pushed back. It's important to be flexible, remain calm and remember, it all will get done, just perhaps not on the timeline you initially planned."

Avoid Shortcuts

Once you decide to buy a home, particularly if it's your first, it's easy to let emotions overwhelm you. Take a deep breath and realize that becoming a first-time homeowner is not an overnight process and by taking all the necessary steps, you will limit any potential regrets. There are no absolute time-frames for buying a home (some buyers find their "perfect home" the first day, for others it may take several months).

By being prepared, doing your research, talking with builders, lenders and realtors about what to expect and what you need, you can expedite the process, but don't rush it. For example, never shortcut the inspection process. You may save a relatively small amount of money upfront, but you run the very real risk of not exposing potentially expensive defects in the property. Always hire an experienced professional for inspection; asking a relative with limited experience conduct your inspection can be as risky as skipping the inspection process completely.

Have a Plan B

Many first-time buyers make the mistake of thinking that if they look long enough, they will find a home that is 100 percent perfect for them. With the thousands of possibilities in home design, location, amenities, etc., this is a pretty unrealistic expectation. What is more common is that buyers will pass on homes that meet 90 percent or more of their requirements only to later give up from sheer exhaustion or because of rising market prices. At the same time, it is important to know that while being flexible, it's okay to have a fall-back plan.

"Don't rush into buying something if you find yourself thinking, this would be my ideal home if we renovated the entire thing—unless of course, that's what you're setting out to do," Conlon said. "Be prepared to have a Plan B, such as renting a bit longer, if you don't find what you're looking for right away. We took our time in deciding what we wanted, what we were willing to give up, and to find a house with the 'wow' factor. Knowing we had other options relieved the pressure to make a decision."

By keeping in mind these tips, you'll find your first time is a great time. For more first-time homeowner advice, visit www.nahb.org/forconsumers or contact the Home Builders Association of Northeast Louisiana.

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