

# TREVITT

R E A L T O R S

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## **Attention: First-Time Home Buyers**

Buying your first home is a major decision. In many cases, a mortgage payment inclusive of property taxes and insurance but offset by tax savings generated by mortgage interest deductions (which constitute most of the payment in the early years of a mortgage) may be the same or only slightly more than monthly rent, but you will be building equity with each payment.

Often, the biggest hurdle in the first-time buyer's purchase is cash available for the down payment and buyer's closing costs. But even this obstacle is not insurmountable. If you are a veteran, you may be able to obtain 100% financing through a VA loan. And many lenders offer 95% financing. If your income enables you to qualify for the necessary mortgage loan, you may be able to negotiate a contract in which the seller pays your purchase closing costs and adjusts the price upward so that you, in effect, finance your closing costs. But the loan appraisal will still need to support this higher value in order for the loan to close.

A good place to start the entire process is to visit a local lender to "pre-qualify" and establish your maximum loan amount. (An agent can help you determine your afford ability level, too, if you don't mind sharing income and debt information). This loan maximum, coupled with your available cash, will determine the price range in which you should look. You can begin shopping by researching **community features** you want and need, remembering that "location-location-location" can be as important as the home itself.

As a first-time buyer, professional real estate assistance can be crucial, and you should insist that the agent work with you as a "buyer's agent" in order to be your advocate in the transaction. In most cases, this agent is still paid out of the seller's commission paid at closing, so you will not pay extra to be represented by a good agent. See the suggestions in Tips For the Relocating Homeowner regarding selection of a qualified agent; you do not have to be moving from one city to another to take advantage of these suggestions.

A good agent can help you evaluate the pros and cons of purchasing a single family home, condominium, or townhouse, and what the various types of ownership mean to you. Should you buy a resale home or new construction, and what kinds of inspections or warranties should you seek in each situation? When making an offer, how much below listing price can you offer, and how does the price compare to similar homes on the market? Are you negotiating terms and other costs (home warranty, for example) as well as price? What do you do if inspections uncover needed repairs? Are there any factors related to the house or neighborhood which could create resale problems? What closing costs are considered typical? In what is usually an emotional decision, you need the counsel of a reputable, knowledgeable real estate professional who can help you buy wisely.

When shopping for a mortgage, look at the overall cost, not just the interest rate. Generally speaking, the higher the rate, the lower the number of points charged. Make sure you understand any hidden costs or special early payment penalties which could create problems for you. Look at different mortgage products, such as shorter-term fixed-rate loans or adjustable rate loans, but be sure you understand what your "worst case scenario" is if interest rates rise.

Once you have settled on a community and seen several homes, you will make an [offer](#) on a home you like. If you and the seller, with the negotiating help of your agent, come to terms and you execute a sales contract, you will then finalize your mortgage. The mortgage company will require a [home inspection](#) and a title search. You may have to coordinate your closing date based on when the seller can purchase another home and vacate.

There are other considerations such as [home warranty](#), private [mortgage insurance](#) (PMI) on loans over 80% (also called "mortgage insurance premium", or MIP), [title insurance](#) and repair agreements with the seller. The agent will guide you through these issues and pave the way for a smooth, on-time closing. And if faced with an unfamiliar term, you can consult our on line [real estate dictionary](#).

To remain in control of the many details associated with moving, check out our [moving checklist](#). And if you are a parent, we can [help your children move](#) successfully, too.