

Top 10 Home Buying Tips

If you are like most Americans, your home will be your largest asset. Therefore, let's do this right and take it one step at a time. The process can be nerve-racking, especially if you're a first-time homebuyer, but we are here to help. These tips will help you navigate the process, save money and avoid common mistakes.

1. Start saving for a down payment early

It's common to put 20% down, but many lenders now permit much less, and first-time home buyer programs allow as little as 3% down. We recommend 10% down, which can take years to build up, so start early. For example, a 10% down payment on a \$200,000 home is \$20,000.

2. Research state and local assistance programs

In addition to federal programs, Minnesota offers assistance programs for first-time homebuyers with perks such as down payment assistance, closing cost assistance, tax credits and discounted interest rates. One agency to explore is the MN Housing Finance Authority (MHFA).

3. Determine how much home you can afford

Before you start looking for your dream home, you need to know what's actually within your price range. A good rule of thumb is not to exceed 30% of your take home pay. That is less than national guidelines allow, but it will keep you from becoming overwhelmed with your new home.

So, let's say you bring home \$5,000 a month. Multiply that by 30% to establish your maximum monthly house payment of \$1,500. Based on a 30-year mortgage with a 4% fixed interest rate, \$350,000 home with a 10% down payment of \$35,000. (not including taxes and insurance)

4. Check your credit score

When applying for a mortgage loan, your credit will be one of the key factors we in whether you're approved, and it will help determine your interest rate.

So, call us to check your credit before begin the homebuying process. We will advise you on how to increase your score. You want time to dispute any errors that could be dragging down your credit score and make changes to improve your credit, such as paying down credit card debt.

5. Compare mortgage rates

We are far from your only option to finance your purchase, so go out there and get other quotes.

As you're comparing quotes, get a Good Faith Estimate of Settlement costs. You want to know not just the interest rate, but also the points. Points are a percentage of the loan amount that the lender charges for the loan. A lender can offer a lower rate than us by charging more points up front. They may just give you the quote verbally, but written will give you all of the information. For example, points are also call origination fee. There are other fees as well that jack up the cost. Application fee, Underwriting fee, processing fee. There are all extra costs that they can add. Unless it is in writing, you do not have the ability so clearly see what the "deal" is.

6. Get a preapproval letter

Once you are ready to seriously shop for the home of your dreams and you are sure of your lender (whether it is us or not) get preapproval for the mortgage. That shows sellers that you are approved up to a certain amount. Having a preapproval letter in hand makes you look much more serious to a seller and can give you an upper hand over buyers who haven't taken this step.

7. Pick the right type of house and neighborhood

You may assume you'll buy a single-family home, and that could be ideal if you want a big yard or a lot of room. But if you're willing to sacrifice space for less maintenance and extra amenities, and you don't mind paying a homeowner's association fee a condo or townhouse could be a better fit.

Even if the home is just right, the neighborhood could be all wrong. Your realtor cannot tell you which neighborhood is better than the other, so here are some tip:

Research nearby public schools, even if you don't have kids a bad school will drag down the value of the homes in the area.

Map the local hospital, grocery store and shopping centers you'll use.

Drive through the neighborhood on various days and at different times to check out traffic, noise and activity levels.

8. Stick to your budget

Look at properties that cost less than the amount you budgeted for. The 30% calculation allows room for other financial goals, but also keep in mind other monthly expenses or problems like a broken dishwasher that arise during homeownership, especially right after you buy. Shopping with a firm budget in mind will also help when it comes time to make an offer.

In a competitive real estate market with limited inventory, it's likely you'll bid on houses that get multiple offers. When you find a home you love, it's tempting to make a high-priced offer that's sure to win. But don't let your emotions take over. Shopping below your budgeted amount creates some wiggle room for bidding.

9. Make the most of open houses

When you're touring homes during open houses, pay close attention to the home's overall condition, and be aware of any smells, stains or items in disrepair. Ask a lot of questions about the home, such as when it was built, when items were last replaced and how old key systems like the air conditioning and the heating are.

If other potential buyers are viewing the home at the same time as you, don't hesitate to schedule a second or third visit to get a closer look and ask questions privately.

When you find "the one" it is a good idea to hire a licensed Home Inspector. You can make that part of the offer, but in a competitive market that may cause your offer to not be accepted. Either way it is a good investment. He or she will find things you never would have thought to look for. It will help in the negotiation of the deal or find things that make you walk away. Even at the expense of your earnest money.

10. Not saving enough for after move-in expenses

Our last tip is easily over looked. In addition to saving for your down payment and budgeted for closing costs, you should also set aside a buffer to pay for what will go inside the house. This includes furnishings, appliances, rugs, updated fixtures, new paint and any improvements you may want to make after moving in.

If you have questions on any of these tips or are ready to start the process, [click here](#) or call 651-484-0265 x1.