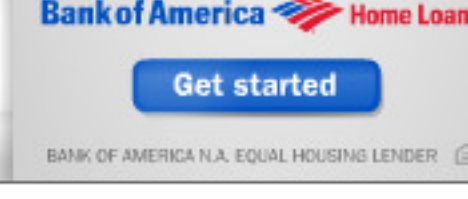


See what you can comfortably afford. Our new online guide can help you find the right home loan for you. 

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By Senta Scarborough, an eHow Contributor

A Guide for the First-Time Home Buyer

What It Takes To Get The Keys



A Guide for the First-Time Home Buyer (photo: Jupiterimages/Comstock/Getty Images)

So you think you want to buy your first house? Then you had better be ready for a bumpy emotional ride. The process can be grueling, and the anxiety it produces may at times seem overwhelming.

It's the "major nausea factor," says Justin Krane, a financial adviser and president of Los Angeles-based Krane Financial Solutions.

You'll have to face the truth of your financial health, figure out what you really need and want, consider your future plans, fork out a substantial amount of cash, and choose a home that matches your lifestyle and budget.

Finding A Local Agent

Every market is different so you'll need to find an experienced real estate agent who really knows the neighborhood where you hope to buy. Finding the right agent, though, is like finding a good doctor, so seek the opinions of those you trust. Referrals from a friend, family member or co-worker are the best. Without a recommendation, go to open houses or seek out agents who have many listings in the area.

Once you find a good candidate, it is important to interview them, and getting references is an important part of your research.

"You don't want a flaky broker," said Krane. "You want someone with major attention to detail and follow-through."

Find out how the agent handled recent complicated transactions. Make sure the agent listens and doesn't waste your time with condos when you want a house.

Krane also said to be sure the agent monitors the qualifying and funding of the loan, title search, home inspection and seller responsibilities and keeps you informed throughout every step of the process.


"You are trusting that person with the details of your life," said Deirdre Salomone, a real estate agent with Keller Williams Realty Los Feliz of Los Angeles. "Your first house is up there with marriage and career. It is a bumpy ride and you want the person who is going to have your back to carry you through."

You are buying a house, not a dream. Make your second home your dream.

— Marty Rudoy, Los Angeles-based real estate attorney

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How Much Will You Need?

The question is: How bad do you want it?

Buying a home may require sacrifices.

"It is looking at the difference between what you are willing to give up—those things you had before being a home owner," said Sherman Oaks, California-based Michele Stanisch, a vice president for Prospect Mortgage. "Do you want to give up Starbucks every day or whatever you need to cut to get this house?"

As a general rule, to determine financial health buyers want to make sure the total of principal, interest, taxes and insurance (PITI) for the home represents no more than 33 percent of their monthly gross income. PITI plus car payments and credit card debt should never exceed 45 percent of gross monthly income.

You'll also need available cash to pay for closing costs, a house appraisal, and a home inspection.

As for loans, good first-time buyer options include Federal Housing Administration loans, for which you need as little as 3.5 percent down, but be prepared for 20 percent or more.

Some states have teacher, police, and state employee loan programs or county housing programs that provide assistance. A Veteran's Administration loan requires no down payment.

Credit Scores And Loan Qualifying

Before you start searching, you'll need to know how large a loan you can get. The first step is obtaining pre-approval.

"If you're not pre-approved you are wasting everyone's time," said Michele Stanisch, a vice president at Prospect Mortgage, a national independent residential mortgage lending company.

Stanisch, who works from Prospect's Sherman Oaks, California, offices, recommends finding an experienced mortgage professional who can run your credit report, review all of your documents, explain different loan programs and guide you into the best one to fit your financial needs.

Credit scores as low as 580 may qualify a borrower for a Federal Housing Administration loan, Stanisch said, but credit scores of 700 or higher are normally required for conventional loans.

Make sure your credit report is accurate. Allow 30 to 90 days to correct any problem and to verify that your credit history shows the change.

"If your score is not where you would like it to be, focus your efforts on paying bills on time, reducing your debt balances, avoiding new inquiries and making sure your report is an accurate reflection of your past credit behavior," said Clifton O'Neal, senior director of TransUnion Corporate Communications.

You'll need to provide every financial detail to your lender, including pay stubs, W-2s, income tax, retirement and bank records. Lenders look at a potential buyer's credit history, what the buyer can qualify for, and the buyer's ability to pay.

"That way, your loan officer can see the overall picture and make sure after the close of escrow you have something to fall back on," Stanisch said.

Where To Buy

It is important to decide what you really need, then figure out what you want. Buying a home is a long-term investment, so be prepared to stay in the home a minimum of five to 10 years.

Go out and explore neighborhoods. If you see cars like the ones you drive, it's probably not a bad place to try. Make a list of a few neighborhoods and do your homework.

"The best way to evaluate a home is on what other buyers will be looking for," said Marty Rudoy, a Los Angeles-based real estate attorney.

Those factors are good schools, access to jobs and shopping, a stable area without a lot of foreclosures—an area with a lot of owner-occupied homes rather than leased homes. Top wish-list items include modern kitchens and bathrooms.

"You are buying a house, not a dream," Rudoy said. "Make your second home your dream."

The Art of The Deal

The moment you walk in the house you start setting the stage for the offer.

If the seller is home, keep your opinions to yourself to avoid a bad impression or take away your bargaining power. And don't proclaim your love for the place, either.

"I caution my people when they go into the house for the first time, 'Please try to remain neutral until we get out, and then scream how wonderful it is,'" said Steve Goddard, former president of the California Association of Realtors. "You don't want the seller to know how much you want it."

Once you've decided on a home, make an offer you can afford. Depending on the competitiveness of the local housing market, the first offer may be your only shot.

"Don't low-ball if the house hasn't been sitting for 30 days," Salomone said. "You can put in a low offer and lose out."

It is important to also stay grounded and firm on your budget during the process. Tips to help sweeten the offer include shortening the escrow, paying a larger down payment or writing the seller a personal letter.

The Inspector

After your offer has been accepted, you'll get the house appraised and get an independent home inspector.

Be aware of red flags and don't hesitate to have more detailed inspections of suspect areas, such as a fireplace, or evidence of termites. If there is a problem, ask for repairs or a reduction in price.

Be patient, Rudoy advised, and wait for a good deal.

"Don't rush it and don't let yourself be rushed," he said. "Move at the pace you're comfortable with. It's a process. Just take everything step by step and you will succeed."

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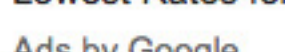
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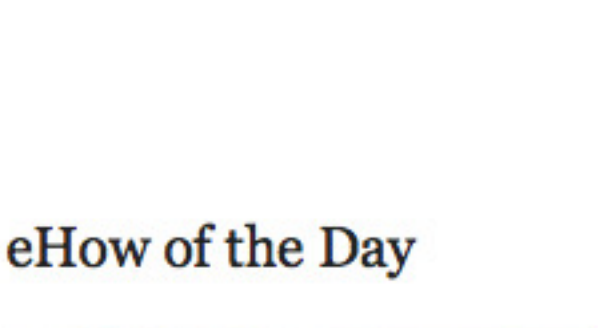
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