

5 Items

To Prepare
First Time Home Buyers

The excitement can be a lot to keep reined in as you write your dream home list. But before you plan how you're going to decorate your new digs, there is plenty of work to be done before you truly start your house hunting adventures. Purchasing a home is typically the largest investment of your life. So, step lightly and follow this list of items to begin your pre-purchase preparations, and to avoid the stumbling blocks and pitfalls that many buyers trip over as they begin the process. Also, there are many different circumstances that motivate people to purchase their first house. Knowing the right time in your life to buy a home is an important part of the process.

A good REALTOR® is your best resource to help avoid issues that might jeopardize your home purchase. They will walk you through each step below and make sure that nothing is overlooked.

1 Elevate Your Credit

Unless you are part of the crowd that has hundreds of thousands of dollars sitting around, you will need a loan to purchase a home, and a loan means good credit. You are entitled to a free credit report every 12 months from each of the three major credit reporting agencies (Equifax, Experian & TransUnion). All can be accessed at AnnualCreditReport.com. A good credit score (the 3-digit number that rates your credit worthiness) means better lending options, better interest rates, and a better chance of being approved for a mortgage. Shoot for 620 or above. If you have something lower, then work on getting your credit score higher before you pursue and apply for a mortgage, and your house hunting. Actions such as paying your bills on time, lowering your debts, and keeping credit cards with a zero or low balances will all boost your credit scores.

2 Know Your Monthly Expenses

Do you have stable employment? Is your paycheck dependable and steady? Figure out what you can comfortably afford monthly for your home mortgage payment (P.I.T.I. = Principle, Interest, Taxes & Insurance) before committing to one. A general rule of thumb is that your mortgage payment shouldn't exceed 25% of your gross monthly income. For example, if you bring in \$4,800 a month, your mortgage payment be \$1,340 or less. There is wiggle room on this number, but it's a good baseline to follow so that you don't find yourself with a roof over your head, and nothing to eat. You can try using a mortgage calculator to help you crunch your numbers.

I also tell my clients to not forget about the other costs involved in operating these homes. I actually like to say... P.I.T.I.E. (Principle, Interest, Taxes, Insurance & Energy). Energy costs (eg. Natural or Propane Gas, Electricity, Water, Sewer, etc.) are often not considered properly when understanding and calculating the monthly costs associated with operating the home. Lastly, one needs to budget for annual maintenance costs. Things like annual check ups on your HVAC systems, duct cleaning, chimney sweeping, landscaping (etc.), can often be forgotten as buyers budget.

3 Understand Your Up Front Costs

Money, of course, is a must have when it comes to home buying. A down-payment is an important variable in the equation, but not as crucial as you might think. Folks without lots of cash in hand can for a down-payment still have loan options, such as FHA loan products, which may only require 3% down, and other potential first time home buyer credits and assistance (grant) programs that maybe available in state or local markets. The downside to not having 20% to put down is having to pay monthly P.M.I. (Private Mortgage Insurance), which tacks on to your monthly mortgage payments. There are also other costs to plan for when home buying that sometimes get overlooked during planning, such as the costs for the Loan Application, Home Appraisal, Home Inspections, Attorney Fees, and Closing & Title Costs. Your REALTOR, Attorney & Lender should help you plan for all this by doing a Net Estimate Worksheet.

As far as the Home inspection process is concerned, in many markets, such as the Chicago metropolitan suburbs, Radon testing is a potential add on to the general home inspection. Radon testing and mitigation must be done by licensed professionals in Illinois. Homes built after the early 2000's tend to have passive Radon vents installed at time of construction. However, just because new and newer homes have passive Radon vents in place, doesn't mean that there is not a potential issue. In today's market, some lenders are demanding tests be done at the time of the home inspection, and that if an issue is found, that mitigations systems be installed, with passing re-tests completed, before the closing can occur.

4 Consider the Location & Neighborhood

If this is your first home, consider the location in which you are purchasing relative to your current life spots. Where is your place of employment, will this house grow with your family? Is it located in a school district that meets your needs and requirements? Consider the neighborhood and the sort of lifestyle habits that you have, and that your new neighbors may have. This residence may be more permanent than your most recent rental, so your neighbors and the overall atmosphere of the location truly matter. In most cases, home buying is far more permanent than renting because of the costs and time associated with the process.

5 Keep Yourself in Check

It may sound silly, but many first time home buyers have gotten caught up in the excitement of the house hunting phase of the process, and have ended up with lemons, or have bitten off more than they really may have wanted to chew. Go into the process level headed, and see through the home's staging to the bones of the house. And, never buy a house just for the view, but for the land itself. After all, if you don't own the view, it could change rather quickly some day. Understand life expectancy of major appliances and systems of a home to have a grasp on what to expect while doing your search. For example, the average life-spans of roofs, hot water heaters, HVAC units (boilers, furnaces & air-conditioners), dish washers, garbage disposals, sump & ejector pumps, windows, etc.). Improperly maintained systems and appliances could be cause for near term and un-planned out of pocket expenses. So, look at these items and the like closely. Younger systems, tend to be a safer bet. However, having funds set aside for those rainy days, is wise beyond your thoughts. Make sure you plan and budget for the eventual life ending moments of your homes systems.

Final Thoughts

This information can be a great guide as you prepare to start the house hunting process. Get your plans in place, and keep your eyes wide open, and you will be sure to have a great experience.

So, what's the verdict? Have any of the five points above hit home with you at all? If so, don't be afraid. If you have any questions about purchasing a home in the Fox Valley area, please feel free to reach out to me. I'm here to help whenever you need me.

At HomesInTheFoxValley.com, we ready to coordinate the smoothest transaction possible. Buying or Selling a home takes time and energy, but it's extremely rewarding. After you've signed the papers at closing, all of our hard work will have paid off, and you will feel that wave of excitement as you move in your new home, or on to your next home!



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