

Dos and Don'ts of Buying a House



Goals:

- ✓ Maximize your buying potential
- ✓ Help you watch for pitfalls
- ✓ Create a “no regrets” experience.



Summary of the Dos

1. Save up money for a down payment and/or closing costs;
2. Pay off debts and much as possible;
3. Get a copy of your credit report and clear up any discrepancies;
4. Tell model home centers and open houses that you are working with a REALTOR® (me!);
5. Make a list of likes and dislikes in a home;
6. Write down questions you have about buying a home (I have the answers);
7. Call Ken!

1. Save up money for a down payment and/or closing costs.

The more money you have for a down payment, the less your loan amount will be and the better you look in the seller's eyes.

There are different rules depending on your loan type. In some cases, you can borrow cash from that rich uncle for the down payment. In some cases you are on your own.

Be certain to ask your mortgage broker or me.

If you don't plan to buy for several months, take a look at your monthly expenses and see where you can save. The more you save toward your down payment, the smaller your monthly mortgage payments later. So, it might be worth giving up that subscription to *Military Applications of Silly String Magazine*, at least for now!



2. Pay off debts as much as possible

If you do a search on the Web for “save or pay down debt,” you will find all kinds of great advice. Most of it will tell you to do the following:

- A. Pay off the highest interest debt first.
- B. Identify the good debt (such as a low interest rate home loan). It is always good to pay down principle if you have the extra cash. But home loans give you a tax reduction on interest paid. So, don't worry too much if you can't pay that off.
- C. Save and Invest. Create a savings plan, such a 401(k) or an IRA, where some money is put away every month automatically before you get a hold of it and you are tempted to spend it on that extra palette of Ferrero Rocher Candy at Costo!



3. Get a copy of your credit report and clear up any discrepancies

Did that sales lady at Macy's double charge you for your stocking stuffers back in 2005 and cause some late payment that affects your credit score?

No worries. There are ways to fix these things. It takes just a little time on the phone and maybe a letter or two.

Beware of claims on the web that some company can fix your score for you!

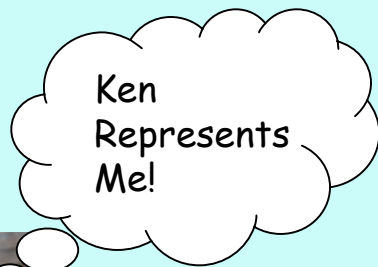
Here are some sources on how to fix your credit score:

- www.ftc.gov/bcp/menus/consumer/credit/reports.shtm
- www.nedap.org/hotline/creditrepair.html
- www.smartmoneydaily.com/personal-credit/credit-repair/

4. Tell model home centers and open houses that you are working with a REALTOR® (me!)

When you visit model homes, they will ask you to sign their register book; by doing that, you are waiving your right to be represented by a REALTOR®; better to call me before you visit those places.

Further, if model home center and open house folks know that you are already represented, then they can send further sales solicitations to me so you don't have to be inundated with advertisements.



5. Make a list of likes and dislikes in a home

Your home buying experience can be better and more efficient if you (and your partner) have thought through what you like and dislike.

Rank them in order of priority.

Think about what you are willing to “compromise” on.

No home is perfect, but they can be great!

I think I should like something a little more traditional....



6. Write down questions you have about buying a home

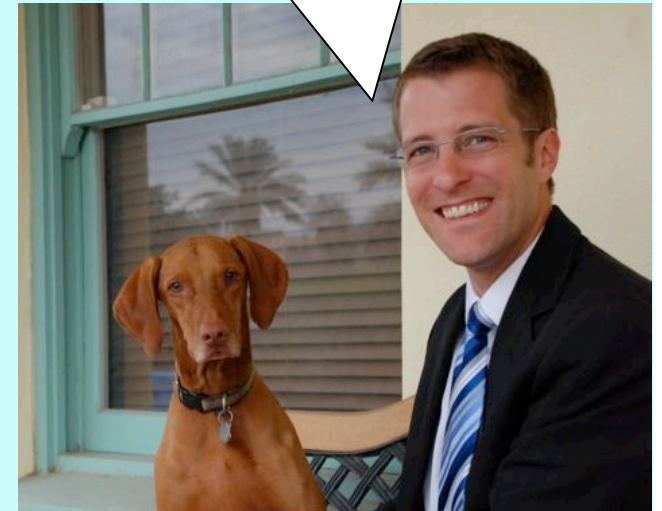
It's my job to guide you through the process.

Never be afraid to ask!

Let's sit down and preview the process before we look at the first home.

If I don't know the answer, I will find out!

If the question sounds too stupid to ask, I've probably asked it myself!



The Don'ts

1. Visit model homes, new homes, or open houses without Ken;
 - See above!
2. Change jobs to a different line of work;
 - remain in the same field if you must change jobs
3. Change jobs if it is commission-based or if you want to be self-employed
 - mortgage lenders will calculate your commissions over the last two years; if you start a commission-based job, the lender cannot predict your future earnings
4. Change jobs if you work less than 40 hours/week and receive an hourly wage
 - mortgage lenders cannot calculate your income accurately with the new job, but they can average your earnings with your current job

The Don'ts, cont.

5. Change your business from a sole proprietorship to a partnership or corporation
6. Make major purchases of any kind, like buying a car.
 - don't buy anything that will create debt such as cars, furniture, electronics, computers, vacations, jewelry, appliances
 - a car payment will seriously affect your debt-to-income ratio and could undermine your ability to qualify for a mortgage
7. Panic
 - I'm here to help you through the process!
 - the process of buying a home does not have to be painful or frustrating