



Tips for First-Time Home Buyers

Mortgage down payment tips

1. Start saving for a down payment early

It's preferable to put 20% down, but many lenders now permit much less, and first-time home buyer programs allow as little as 0% down. But putting down less than 20% may mean higher interest rates and paying for private mortgage insurance. Even a 3% down payment can be significant, below is an example of down payments at various price points:

| Home Price | Down Pmt % | | | |
|------------|------------|-------|-------|--------|
| | 3% | 5% | 10% | 20% |
| \$200K | \$6K | \$10K | \$20K | \$40K |
| \$300K | \$9K | \$15K | \$30K | \$60K |
| \$400K | \$12K | \$20K | \$40K | \$80K |
| \$500K | \$15K | \$25K | \$50K | \$100K |

Many of our clients have enjoyed using the My Mortgage App. A comprehensive and easy to use loan calculator, tailored for Utah buyers.

App can be found at <https://academymortgage.com/lo/cjwilkinson>.

2. Explore your down payment and mortgage options

There are lots of mortgage options out there, each with their own combination of pros and cons. We recommend that you shop various lenders and pick one that not only provides competitive rates and service but one that will take the time to educate you on the variety of loan programs and options. This knowledge will help you feel confident that you are selecting the best loan and terms for your specific needs.

3. Research state and local assistance programs

In addition to federal programs, many states offer assistance programs for first-time home buyers with perks such as down payment assistance, closing cost assistance, tax credits and discounted interest rates. Your county or municipality may also have first-time home buyer programs. Be sure to ask your lender about these programs.

Mortgage application tips

4. Determine how much home you can afford

Before you start looking for your first home, you need to know what's actually within your price range. Again, working with a professional loan officer you will be able to determine what you can afford. There are affordability calculators online which can give you a rough idea but we highly recommend having this conversation with a professional loan officer who can ensure that all aspects of "affordability" are considered.

5. Check your credit and pause any new activity



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

So check your credit before you begin the homebuying process. Dispute any errors that could be dragging down your credit score and look for opportunities to improve your credit, such as making a dent in any outstanding debts. Once again, your loan officer should be able to give you sound advice on your credit score and specific ways to improve your score if needed.

6. Compare mortgage rates

Many home buyers get a rate quote from only one lender, but this often leaves money on the table. Comparing mortgage rates from at least three lenders can save you more than \$3,500 over the first five years of your loan, according to the Consumer Financial Protection Bureau. Get a couple of quotes and be sure to compare **both rates and fees**.

7. Get a preapproval letter

You can get pre-qualified for a mortgage, which simply gives you an estimate of how much a lender may be willing to lend based on your income and debts. But as you get closer to buying a home, it's smart to get a preapproval, where the lender thoroughly examines your finances and confirms in writing how much it's willing to lend you, and under what terms. 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.

House shopping tips

8. Hire the right buyer's agent

You'll be working closely with your real estate agent, so it's essential that you find someone you get along with well. The right buyer's agent should be highly skilled, motivated, knowledgeable about the area and an excellent communicator. Our team of agents at Team Moving the Market are eager to earn your business! Our contact details can be found at <https://www.saltlakerealestateguide.com/fine/real/estate/contact>.

9. Pick the right type of house and neighborhood

This is a key area where your real estate agent can help educate and guide you. Ensure that your agent has a complete understanding of what you are looking for in a home and location. Often times your wants and needs will change as you begin to go out and see homes. This is normal! Work together with your agent to refine your list of wants and needs as you go. This process may be quick, or take a bit of time, but it does work and you will soon find a fantastic home and location.

Speaking of location, even if the home is right, the neighborhood could be all wrong. So be sure to:

- **Research** nearby schools, even if you don't have kids, since they affect home value.
- **Look at** local safety and crime statistics.
- **Map** the nearest hospital, pharmacy, grocery store and other amenities you'll use.
- **Drive** through the neighborhood on various days and at different times to check out traffic, noise and activity levels.

10. Stick to your budget



Look at properties that cost less than the amount you were approved for. Although you can technically afford your preapproval amount, it's the ceiling — and it doesn't account for 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 possible 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 likely to win at the cost of blowing your budget. Shopping below your preapproval amount creates some wiggle room for bidding. Stick to your budget to avoid a mortgage payment you can't afford.

11. Get out with your agent, see homes in person

The internet is a fantastic tool that is critical in your home search. However, don't underestimate the importance of getting out and seeing homes in person. The in person approach enables you to gain a better understanding of the home's overall condition, any smells, stains, items in disrepair or even meet some awesome neighbors. When out seeing homes ask a lot of questions, such as when it was built, when items were last replaced and how old key systems like the air conditioning and the heating are.

First-time home buyer mistakes to avoid

With so much to think about, it's unsurprising that some first-time home buyers make mistakes they later regret. Here are a few of the most common pitfalls, along with tips to help you avoid a similar fate.

12. Not budgeting for closing costs

In addition to saving for a down payment, you'll need to budget for the money required to close your mortgage, which can be significant. Closing costs generally run between 1.5% and 3% of your loan amount. You can shop around and compare prices for certain closing expenses, such as homeowners insurance, home inspections and title searches. You can also negotiate with the seller to pay all or part of your closing costs. These are areas where the experience and assistance of your real estate agent is significant.

13. Not saving enough for after move-in expenses

Once you've saved 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.

14. Buying a home for today instead of tomorrow

It's easy to look at properties that meet your current needs. But if you plan to start or expand your family, it may be preferable to buy a larger home now that you can grow into. Consider your future needs and wants and whether the home you're considering will suit them.

15. Passing up the chance to negotiate

A lot can be up for negotiation in the homebuying process, which can result in major savings. Are there any major repairs you can get the seller to cover, either by fully handling them or by giving you a credit adjustment at closing? Is the seller willing to pay for any of the closing costs? If you're in a buyer's market, you may find the seller will bargain with you to get the house off



the market. Your agent is your advocate who will help you identify and execute opportunities for negotiation.

16. Not knowing the limits of a home inspection

After your offer is accepted, you'll likely pay for a home inspection to examine the property's condition inside and out, but the results will only tell you so much.

- Not all inspections test for things like radon, mold or pests, so be sure you know what's included.
- Make sure the inspector can access every part of the home, such as the roof and any crawl spaces.
- Attend the inspection and pay close attention.
- Don't be afraid to ask your inspector to take a look — or a closer look — at something. And ask questions. No inspector will answer the question, "Should I buy this house?" so you'll have to make this decision after reviewing the reports and seeing what the seller is willing to fix.

17. Not buying adequate homeowners insurance

Before you close on your new house, your lender will require you to buy homeowners insurance. Shop around and compare insurance rates to find the best price. Look closely at what's covered in the policies; going with a less-expensive policy usually means fewer protections and more out-of-pocket expenses if you file a claim. Also, typically coverage for flood and even earthquakes isn't covered by homeowners insurance, so if your new home is in a flood / earthquake prone area, you may want to explore separate coverage for these events.

Summary, Let's Go!

Buying your first, second or tenth home can be intimidating. However, with the right understanding, expectations and support we believe your buying experience will be rewarding and even fun! We hope that these tips ease the uncertainty and provide you some foundational knowledge. We, at Team Moving The Market are eager to help you realize your home buying dreams. Contact us today, and let's go!