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## First-time Home Buyer Essentials

Most regions around the country are experiencing a housing market slump at the present time. Existing home sales have generally been falling since the beginning of the year and median home prices have also been dropping compared with their year-ago numbers. Property value appreciation has been slow in most markets of the nation and some areas have even experienced stagnated prices or devaluation of properties. On top of that, foreclosure rates have been rising among subprime or poor credit homeowners, meaning that the inventory of homes on the market keeps rising.

This might seem like a scary time to jump into the housing market. Yet if you are a first-time home buyer, you may find this a good time to score a great deal as sellers compete ferociously for your business. First-timers have even an added edge above repeat home buyers in this market. The reason is that sales to current homeowners often take long or are more complicated because they must coordinate the sale of their own home as well. First-time home buyers come with no (mortgage) strings attached and are therefore the ideal buying candidates for many sellers.

Even in a buyers' market, it is still important to look around do some research to make sure you get the best deal. First you should take careful stock of your resources to figure out how much home you can afford. A really good deal may mean nothing if it is not in your price range. You can get a rough idea of your housing budget by applying the mortgage lenders' general rule of thumb. That is that your total monthly debts, including your mortgage payment, are equal to or less than 36 percent of your monthly income. So for example, say your monthly income is \$3500. Thirty-six percent of that is \$1260. If you have monthly debts that equal to \$350, you have \$910 left to put towards a mortgage payment. Different home loan programs will have different payments but you should keep in mind that the \$910 is towards the maximum of your housing budget.

In order to make sure you are a property that will hold its value, you should evaluate the specific neighborhood for several factors. First take a look at how many other homes in the neighborhood are for sale. If there are lots of homes for sale, you may be able to get a greatly reduced price, but it may also be very difficult to get out of the home if you need to turn around and sell it in the coming years. Another important factor is the quality of the schools in the neighborhood. Even if you do not have children, neighborhoods with good schools attract more buyers and better prices for you in a resale.

Finally, consider how you plan to pay for the down payment. In today's buyers market you will likely find plenty of sellers willing to negotiate the home price down, pay for your closing costs, and perhaps even pay your down payment through some sort of down payment gift plan. Don't be afraid to suggest this option. There are plenty of non-profit organizations that handle such transactions and having the seller provide the down payment could end up saving you thousands of dollars!