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Smart Home-buying in a Buyers Market

If you are in the market for a new home, now is both the worst of times and the best of times for home buyers. It is ideal because there is an oversupply of homes on the market, the national median home price is declining and there are plenty of motivated homeowners and builders. It is at the same time a difficult buying market as there is a shrinking pool of available financing for mortgage borrowers, especially those with less than perfect credit. If you are able to qualify for home loan funding, there are still a few things you should do in order to make the most of the current buyers' market.

Pick a Solid Market

Home prices are declining nationally, but different areas are declining for different reasons. You will find falling prices in California and Florida because home prices grew too fast for incomes during the housing boom. The prices are falling as the housing market corrects itself, coming back into balance. Markets like Detroit and some other Midwest cities are experiencing price declines as the local economy fails and people attempt to vacate the area. While looking for a good deal, it is important to make sure the low price is not indicative of a doomed housing market. Try choosing markets in or around stable, prosperous cities in order to find a suitable, appropriately-priced home.

Use Your Bargaining Power

Because it is a buyers' market, you have immense bargaining power to negotiate for a great deal. If you are working with a builder, you have the power to ask for both a lower sale price as well as some included upgrades. You may even be able to score something like no mortgage payments or taxes for six months, with the builder paying for you.

If you are dealing with a homeowner, you can bargain for a lower home price, or you can require the seller to pay for your closing costs or your mortgage points, or similar fees. This can be a huge help if you need all your saved-up cash to go towards a down payment.

Shop Around for Mortgage Funding

Finally, even if you do qualify for home loan financing, it is still a good idea to shop around among lenders and make them compete for your business. Get quotes from several lenders and compare the offers. (Make sure you are basing your comparisons on the annual percentage rate and not only on the interest rate alone.) Let each lender know the best rate you have been offered and ask if he or she can do better.

If you have trouble qualifying for mortgage funding right now because of poor credit or insufficient income or savings, now is a great time to work on improving your financial resume. The housing market is generally predicted to continue declining until 2008 before reviving again in 2009. If you take a year or so to improve your credit and save up a sizeable down payment, you will still be able to take advantage of a great up-swinging housing market.