

Tips for First Time Home Buyers



Thinking about buying your first home?

Andrew L. Jaloza & Associates will help you understand the process of home ownership so you can make informed decisions about your first home.

You've made the decision to make one of the largest investments you'll ever make in your life—buying your first home. You're excited, but at the same time anxious. Some of the questions you may be asking are: Will I be able to afford the home of my dreams? Do I have enough money for a down payment? Can I get a home inspected before I make an offer?

Rest assured, you are not alone. According to a National Association of Realtors® Profile of Home Buyers and Sellers, first-time homebuyers recently accounted for 40 percent of the homes purchased. The home buying process can be overwhelming, but if you go into it prepared, your first purchase can be a good experience. Here are some things to consider before making the plunge.

Getting a mortgage

Fear of being rejected for a home loan is one of the main concerns for first-time homebuyers. To lessen the stress, you may want to get pre-approved for a loan before looking at prospective homes. This will not only help you feel more confident, it will also give you an advantage when there are multiple offers for a specific home. The fact that your loan has already been approved is of great value to the seller: because it shortens the purchase process and there is less of a chance that the buyer will back out of the sale.

Mortgage Payments

The costs involved in the purchase of a home can be overwhelming to first-time buyers. However, with the help of a real estate professional, you can calculate out how much you will be able to pay each month in mortgage payments, and from there, what prospective homes offer a feasible payment plan.

Down-Payment

The down-payment amount varies depending on the value of the home you choose and your mortgage lender. And in some cases, first-time home buyers can purchase a home with no money down. Although it varies from state to state, most offer government-funded programs for first-time buyers that help people buy a home with no down-payment. Your mortgage banker, bank representative or attorney will be able to explain the different options available to you.

Closing Costs

First-time buyers often forget to consider the closing costs when making an offer on a home. Paying closing fees of up to 10 percent of the home sale amount is not unusual. Add that to the down-payment and you'll have quite a sum to raise before the final papers can be signed. However, a smart first-time buyer takes this into account before making an offer, and with some professional help, the costs can be estimated in advance.

Making offers

Don't feel pressured into making an offer on the first home you see. This is a common mistake of many first-time homebuyers. Make sure you view different homes to get a feel for the marketplace. When you do decide on a home to make a bid on, work with your real estate professional to get all of your questions answered first before making an offer. But don't wait too long to make an offer. The longer you wait, the greater the chance other prospective buyers may place offers, making it harder for you to negotiate a good deal.

Condition of the Home

Buying a "problem" home is another fear of first-timers. A home that needs major repairs can become a costly venture. And, unless the asking price is adjusted to reflect the hidden repairs needed, chances are the home is not worth as much as the seller is asking for it. To avoid unfortunate surprises, our office will always advise you to hire a home inspector before making a serious offer. That way, you know what you are getting into.

Common Questions.

What are the benefits of homeownership for first-time buyers?

Homeownership brings many benefits. When you buy your first home, you'll become part of a community and experience the security of owning the roof over your head. As a homeowner, you may also be able to:

Take control: Avoid rent increases and cancelled leases while creating a home that meets your needs and tastes.

Build home equity: Grow your assets with the principal portion of your mortgage payments as your property value increases.

Get tax benefits: Deduct mortgage interest and real estate property taxes on your income tax returns. (Consult a tax advisor regarding the deductibility of interest.)

Build your credit: Create a strong credit history by making on-time mortgage payments.

What should I consider before buying a home?

Homeownership is a serious and long-term commitment: financially, geographically, emotionally, and more.

Give careful thought to these factors as well:

Financial responsibility: You'll need to pay for utilities, maintenance, and repairs — on top of your mortgage payments, property taxes, and homeowners insurance.

Potential risk: Real estate often increases in value over time, but not always. Your property value can also go down.

Tighter ties: As a renter, you can pick up and move with short notice. When you own a home, selling it before moving on is more complicated.

A home is probably one of the largest purchases you'll ever make. Knowing what to expect can help you make informed financial decisions.

What resources does Andrew L. Jaloza & Associates offer first time home buyers?

We have a strong dedicated network of realtors, mortgage brokers and bankers to assist with the daunting task of purchasing a new home.

What can I expect during the home buyer process?

Once you have found a home, you need to make an offer through your realtor. Once your offer is accepted you will need to retain an attorney to move the process forward. When you decide to work with Andrew L. Jaloza & Associates, we walk you through the process, step by step. Our office will review and negotiate a solid contract on your behalf, we will insure that you close with clear title.

Above all, remember that there are no silly questions. Make sure you understand and are comfortable with every aspect of the transaction. Our office will be an invaluable asset in helping you make educated decisions so that your first-home purchase is a rewarding experience.

At Andrew L. Jaloza & Associates we are committed to assisting first time home buyers every step of the way with process of purchasing a new home. It's your first home, but it's not our first transaction. Count on us to help you understand each stage of the process.

Call our office for a complimentary consultation. We are always happy to answer any questions. For immediate assistance, please call us at 718-514-2066.

Mortgage Loan Cheat Sheet

Home loans can be very complex. It's likely that you'll have several financing options, all with different features. If you get a mortgage to help buy your home, you'll repay more than you borrowed. How much you repay is determined by several factors, including your interest and loan amount.

Remember that interest rates only tell part of the story. The total cost of a mortgage is reflected by the interest rate, discount points, and origination charges. This total cost is known as the annual percentage rate (APR), which is typically higher than the interest rate. The APR enables you to compare mortgages of the same dollar amount by considering their total annual cost.

Interest Rate

The interest rate is the percentage of your loan amount we charge you to borrow money to buy your home.

Interest rates are based on current market conditions, your credit score, down payment, and the type of mortgage you choose.

Discount Points

One point equals 1% of your mortgage amount.

If you qualify, you may be able to pay one or more points to lower your interest rate. A lower interest rate means lower monthly mortgage payments.

Points are usually tax deductible. (Consult a tax advisor on the deductibility of interest.)

Origination Fee

The amount that includes all charges (other than discount points) that all loan originators (lenders and brokers) involved will receive for originating the loan.

This charge covers items including fees, document preparation, and underwriting costs, and other expenses.

Loan Term

Your loan term is the amount of time you have to pay off your mortgage balance. Shorter loan terms typically mean higher monthly mortgage payments, but often have lower interest rates. And if you pay off your mortgage balance within a shorter term, you may pay less in total interest than with a longer-term mortgage.

PITI. Principal. Interest. Taxes. Insurance.

PITI stands for the four parts that make up most mortgage payments. Your monthly mortgage payment is typically made up of four parts:

Principal: The part of your monthly payment that reduces the outstanding balance of your mortgage.

Interest: The part of your monthly payment that goes toward the cost of borrowing the money.

Taxes: The part of your monthly payment that goes toward property taxes charged by your local government. We typically collect a portion of these taxes in every mortgage payment and hold the funds in an escrow account for tax payments made on your behalf as they become due.

Insurance: The part of your monthly payment that pays for homeowners or hazard insurance, which provides protection against property damage due to wind, fire or other risks. Like taxes, insurance costs are typically collected and paid from an escrow account.

Depending upon your property location, property type and loan amount, you may incur other monthly or annual expenses such as mortgage insurance, flood insurance, and homeowners association fees.

Call our office for a complimentary consultation or for a referral to a licensed trustworthy mortgage broker. We are always happy to answer any questions. For immediate assistance, please call us at 718-514-2066.