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## Are You Ready to Buy a Home?

Before you take the plunge, consider your overall financial situation and future life plans.



Owning a home is part of the American dream. But before you undertake a monthly mortgage as a first-time buyer, you'll need to determine whether or not your home-owning goals align with your current financial picture.

That means understanding all the costs of home ownership, from securing a mortgage and paying closing costs, to taxes and routine maintenance.

## Understand the Responsibilities

That list price may look attractive, but be sure to budget for all the other expenses. Recognize that purchasing a home requires hefty upfront costs, including an earnest money deposit, a down payment, appraisal and inspections, plus closing costs, which may include attorney's fees and title insurance. Being ready to own a home also means shouldering some recurring costs — property taxes, homeowner's insurance, any homeowner's association fees and utilities.

And don't forget maintenance: It's one thing to fall in love with a home's quartz countertops and Viking stove. It's another to pay for upkeep. You'll have to pay to replace expensive appliances from time to time and go it alone on repair jobs, too. When making plans to buy, be sure to also pad your bank account for those rainy-day repairs.

## Balancing the Books

You've considered long-term costs so you're now ready to face the financial review process that precedes getting a loan. During this stage, don't forget:

- **Your FICO score.** The better your score, the lower your mortgage interest rate. If you have student loan or credit card debt, you'll want to pay it down as much as possible before applying for a home loan.
- **Hey big spender:** Anything—buying a new car, opening a new credit card — can affect your credit. Now is *not* the time to make new or large purchases that require loans. Get a handle on your credit by first obtaining [your free credit report \(https://jadserve.postrelease.com/trk.gif?ntv\\_at=4&ntv\\_a=HbsCAa84OAZOIPA&ord=1379847130&ntv\\_ht=Sag-WQA&prx\\_r=https://www.annualcreditreport.com/index.action\)](https://jadserve.postrelease.com/trk.gif?ntv_at=4&ntv_a=HbsCAa84OAZOIPA&ord=1379847130&ntv_ht=Sag-WQA&prx_r=https://www.annualcreditreport.com/index.action).
- **Bite off what you can chew.** Use an online mortgage rate and payment calculator to determine how much house you can afford with your current salary and expenses. Great tools like this allow you to consider purchase, refinance, home equity rates and payments based on your credit score, home value, down payment and property location. And to help navigate home financing options and remove the guesswork, seek out a professional home mortgage consultant.

There are plenty of advantages to owning versus renting. Owning a home offers you a chance to put down roots and establish a sense of belonging in a community. It also gives you the chance to customize your living environment. And every dollar you put toward your loan's principal equals a dollar of equity, which could help you create a real financial asset for the future instead of just throwing away money on rent.

Not to mention the fact that rental rates change. With a fixed mortgage, your monthly payments remain stable, despite inflation. And as a homeowner you're potentially eligible for state and federal tax deductions.

## Thinking Near and Long-Term

That historic two-bedroom, one-bathroom cottage suits your current needs, but think big picture. Do you see your family expanding soon? Is the neighborhood family-friendly? How do you like the schools? Are you selecting something just to own a home or because you really love the house and the community?

According to the [National Association of Realtors \(https://jadserve.postrelease.com/trk.gif?ntv\\_at=4&ntv\\_a=HbsCAa84OAZOIPA&ord=1379847130&ntv\\_ht=Sag-WQA&prx\\_r=https://www.nar.realtor/sites/default/files/reports/2016/2016-profile-of-home-buyers-and-sellers-10-31-2016.pdf\)](https://jadserve.postrelease.com/trk.gif?ntv_at=4&ntv_a=HbsCAa84OAZOIPA&ord=1379847130&ntv_ht=Sag-WQA&prx_r=https://www.nar.realtor/sites/default/files/reports/2016/2016-profile-of-home-buyers-and-sellers-10-31-2016.pdf), buyers expect to live in their homes for a median of 12 years. That means you need to assess how well a potential home is going to grow with you. Use a new home checklist to help you keep tabs on what you really *need* versus really *want*. It will also help you choose a home that meets your needs today along with your expectations tomorrow.

## New Home Checklist

### Home Type

- New
- Older
- Single-family
- Townhome
- Duplex or  
bi-attached home
- Condominium
- Manufactured  
or mobile home

### Interior

- Family room
- Formal living room
- Formal dining room
- Laundry/utility room
- Mudroom
- Office
- Finished basement
- Attic/other storage

### Energy and infrastructure

- Special  
energy-saving features
- Warranty
- On sewer line

### Exterior

- Wood siding
- Vinyl siding
- Aluminum siding
- Stucco

Municipal water

Stone

Brick

Yard

Garage (attached)

Garage (detached)

Garage (3 or more vehicles)

Hot tub/spa/swimming pool

What are your career goals? Do you plan on staying in your job and in the area for a few years? It'll be easier to qualify for a conventional mortgage loan with a stable job history, or in other words, proof you've stayed on a job at least two years. That means no switching jobs right before applying for a mortgage either.

### **Ready, Set, Get Started**

Once you've figured out how much home you can afford, and well before you've put an offer on a house, shop around for a mortgage lender with the best rates and mortgage options for your situation.

After you've selected a financing institution, secure mortgage preapproval, which demonstrates to a seller that you're a serious homebuyer. To begin the process, collect the following information:

- Social Security card
- Proof of employment
- Proof of income
- Tax documents
- Place of residence
- Bank account statements/balances
- Credit information

A preapproval letter gives you an estimate of how much you can borrow and a home price range you can afford.

A first-time homebuyer may also find special programs to assist them in their purchase. Companies may offer special financing programs with low down payment options for fixed-rate mortgages.

By understanding your options, you can save time and money by making a decision that best suits your budget and your lifestyle for the long haul.