

Ten Tips for Buying a Home

How to be ready and what to look out for

Purchasing Plan

Starting on the journey to find your dream home is exciting, but without proper preparation, it can quickly become overwhelming. To begin the journey on the right foot, become familiar with the process of purchasing a home. Below are 10 essential tips to help you navigate the home-buying process with confidence.

Ten Tips to Prepare

Tip 1: Work with a trusted realtor.

Some buyers hesitate to hire a realtor, due to concerns about added costs. It is important to note that the seller typically pays the commission, not the buyer. A realtor representing the seller is focused on the seller's best interests, not yours. Hiring a skilled realtor to represent you ensures that your interests are protected. They can help guide you through every step of the process, from negotiating the price to navigating inspections.

Tip 2: Understand the contract.

Home purchases involve complex contracts that may seem non-negotiable. However, these agreements can and should be tailored to meet your needs. For example, you might request additional time for inspections, add contingencies for mortgage approval, or waive certain tests. A knowledgeable realtor can help you negotiate terms that align with your wants and needs.

Tip 3: Buy for the present and future.

Before committing to a property, think about your long-term plans. Will you stay at your current job? Are you planning to get married or expand your family? Consider that you may not build significant equity for a few years, depending on the mortgage terms and market conditions. If your lifestyle or goals could change within the next few years, make sure the home you buy can align with potential future needs.



Tip 4: Clarify financial commitments.

State laws govern how assets are treated in divorce, but they may not apply if you are unmarried. When purchasing a home with a partner, who is not your legal spouse, it is crucial to establish a written agreement. This should address ownership, mortgage responsibilities, maintenance costs, and other financial obligations to avoid future disputes.

Tip 5: Look beyond the aesthetics.

Do not let cosmetic issues, like paint or wallpaper, deter you from a potential home. These are relatively inexpensive fixes. However, major renovations, such as updating kitchens or bathrooms, can be significantly more costly, especially when factoring in labor. Be realistic about the cost of necessary upgrades and include them in your budget when evaluating a property.

Tip 6: Purchase within your means.

The amount you are pre-approved for may not be equivalent to what you can comfortably afford.

Mortgage lenders base pre-approvals on your current income and expenses. Unexpected life changes, such as starting a family or job loss, can alter your financial situation. Financial experts recommend keeping housing expenses, including your mortgage, insurance, and taxes, between 28%-33% of your gross income. When reviewing your budget, try to avoid overextending yourself.

Tip 7: Look beyond the purchase price.

When evaluating a potential home, do not focus solely on the purchase price. Factor in additional costs such as insurance, homeowner association (HOA) fees, and real estate fees. Consider maintenance and upkeep costs for features like swimming pools, advanced HVAC systems, or outbuildings.

When comparing two properties, make sure to look at the full picture. For example, a lower-priced condo with high HOA fees could ultimately cost more over time than a higher-priced condo with lower fees. Similarly, a home with low taxes might offer better monthly savings than a cheaper property with high taxes. Keep in mind that taxes, HOA fees, and insurance rates may change from year to year.

Tip 8: Account for student loan debt.

FHA borrowers must factor in 2% of their outstanding student loan balance, regardless of deferment status. For conventional loans, this figure is 1%. If you have student loans in deferment and are planning on buying a home, consider enrolling in an income-based repayment plan. Proper documentation of your repayment terms can help lenders assess your liability accurately and maximize your purchasing power.

Tip 9: Be cautious of mortgage interest deductions.

While a home mortgage interest deduction is an appealing tax benefit, it is not a reason to overextend your budget. This deduction is only available if you itemize on your Schedule A, which fewer than one-third of taxpayers do. Even if you qualify, your tax savings will not offset the entirety of your out-of-pocket costs. Additionally, the deduction diminishes overtime as you pay down the mortgage and owe less interest.

Tip 10: You do not have to buy a house.

Homeownership is not the right choice for everyone. It requires significant financial and personal commitments. When purchasing a house, the current market, interest rates, and long-term plans should be considered. Renting may be a better choice if you anticipate changes to your workplace location or want to test a neighborhood before committing.

Red Flags to Look For

If you are uncertain about any of the concerns listed below, consult with your realtor for guidance. A thorough evaluation now can save you from significant expenses later.

Poor tiling or flooring work: Signs of subpar renovations can lead to costly repairs.

Foundation issues: Hairline cracks are typical, but larger gaps or significant cracking may indicate structural problems.

Poor maintenance: Homes that appear poorly maintained or cluttered during walk-throughs could be hiding deeper issues.

Nearby water: Properties close to water sources may be at a higher risk for flooding. Check if the home is in a FEMA flood zone. If so, it could require additional flood insurance which would increase home related costs.

Poorly installed windows: This may indicate foundation issues or low-quality remodeling that could require attention or fixing.

Mold: Inspect bathrooms, cabinet sinks, and areas around water pipes or drains. Look for black or gray spots, which may indicate mold. Pay attention to caulking around faucets and check ceilings for any discolored patches that could signal hidden mold growth.

Water damage: A musty odor is often a telltale sign of water damage. Examine walls and ceilings for water stains and inspect exposed pipes in basements or laundry rooms for rust, stains, or active leaks.

Improper ventilation: Improper ventilation can lead to excess moisture and increase the likelihood of mold. Look for bubbling or peeling paint around windows, doors, or vents, as these can indicate insufficient ventilation.