5 Tips For The First Time Home Buyer

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Still living with your parents? Sick and tired of telling your roommate to clean up after him/herself? Ready to be on your own and independent? Think that your rent is too high? Can't stand your landlord?

In most cases, first time home buyers can relate to at least one of the previously mentioned issues if not all when they finally decide to go out on their own.

The biggest dilemma facing first time homebuyers: How much money will I need?

To answer the last question, first time home buyers have some amazing advantages as compared to those buying their second or third homes. In today's market, first time home buyers can put anywhere from a minimum of 3-5% down for a variety of loans (MassHousing, VA, FHA, Conventional, etc.) To find out what loan you can qualify for, and what your interest rate might be, contact a mortgage officer near you today!

1. The First Tip: Check Your Credit

Your credit score is one of the most important factors when it comes to qualifying for loans in today's market. If you don't know where your score stands, my advice is to sign up for Credit Karma. The purpose of this site is to give you free, up to date information on your credit, offering tools and guidance to understand what actions affect your score.

Personally, I have used this site for almost five years. It gives you notifications when your score goes up or down, can alert you to any missed payments, mistakes, or collection reports.

The fallacy: Paying your bills on time every month doesn't automatically give you great credit; banks utilizing an equation taking into account your available credit and the amount you're currently using, which impacts your score.

Using Credit Karma is also ten times better than having someone pull your credit. Why? Because when you do finally choose to sit down with a lender for your loan availability, the more your credit score is "pulled" the more cautious the lender becomes. Credit Karma keeps a running track of your credit score through all three of the major credit bureaus, and when you want to check your scores, it's already available and doesn't show up when a lender does a credit check.

2. **The Second Tip: Evaluate Your Assets and Liabilities**

Great, so you pay your bills every month, have large limits on each card, and aren't utilizing more than 50% of what's available (ideal category). But what's coming in? What exactly are you spending your money on? You should have a good handle on your cash flow but you should also speak to a mortgage officer about what exactly he or she will look at when determining your purchasing ability.

But the kicker – depending on your job (self-employed, receives a bonus or obtains a commission) there may be additional required documents to be signed/provided other than those with weekly salaries from an employer.

Also, if you plan on buying a home in the near future, DO NOT change jobs, or after obtaining a loan, decide to change jobs. On multiple occasions I have seen a client be denied because they switched jobs or started working different hours. For the exact reasons as to why this will hurt your ability to obtain a loan, ask your mortgage lender.

3. **The Third Tip: Organize Your Documents**

When you first apply with a mortgage officer, he or she will request two of your most recent pay stubs, your two previous years' tax returns, and your two most recent bank statements (including every page – yes, even the blank ones).

Having this documentation ready for your mortgage officer can speed the process up and get you into your home.

4. **The Fourth Tip: How Much Can You Afford?**

If you've followed the first three tips, the next, most important part of buying a home is finding out how much you can afford. If you're seriously interested and haven't talked to a mortgage officer by now, use this link to find out what you might be able to (note: you will need other information to insert for proper calculation) mortgage calculator.

By gathering all of this information you will have a great idea what you'll need to spend every month, and put down at the time of closing.

5. **The Fifth and Final Tip: Find A Home**

By finding a home you'll know exactly what you'll need for a down payment because you'll know how much your cost is. You'll also, by this point, know whether or not you're going to go with the 3.5% FHA program or the 5% Conventional program.

Finding a home will require a trusted realtor and mortgage officer. Why the latter? Because if you find a home you love, especially in today's market of low inventory and high demand, you'll need a pre-qualifying letter stating that the bank is prepared to offer you a loan. Most listing agents (Seller's realtors) will not even entertain an offer from you unless you've received this from your mortgage officer.

Should you have any further questions on your real estate transaction please do not hesitate to call me directly for proper representation.

Sean Powers is an attorney with offices in both West Springfield and Springfield. He is licensed in Massachusetts (primarily working in Hampden, Hampshire, Worcester, and Berkshire Counties but is available state-wide) and Connecticut (Hartford and Tolland Counties.)

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