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# The Best Advice For First-time Home Buyers

Written by [Blanche Evans](#) on Wednesday, 27 August 2014 1:29 pm

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Before you start seriously shopping for a home, there's some groundwork you should do to put yourself in the best position to buy a home.

Start early, a couple of months before you talk to a lender or hire a real estate professional.

## Check and repair your credit

The Fair Credit Reporting Act requires the three nationwide consumer credit report companies, Equifax, Experian, and TransUnion, to provide you with a free copy of your credit report and FICO scores upon request once a year. You can order the reports by visiting [AnnualCreditReport.com](#), or call 1-877-322-8228.

Each credit report company has its own criteria for scoring your credit report. A lender will usually use the middle FICO score. All three scores need to be as high as possible for you to receive the best interest rates.

If you can, order the reports at least three months before applying for your home loan. If you find a mistake you need to correct, or you want to improve your score by paying down an account, you'll need at least two months before the credit score improves.

You can dispute an inaccurate item on the report by contacting the consumer reporting company and the information provider in writing. Be sure to include copies of your proof.

Don't accidentally raise your scores

Lenders not only look at how much credit you're using, they consider how much credit you have available. However, now is not the time to be opening any new accounts or closing existing accounts.

Don't purchase furniture or a new car or any other big ticket item before buying a home. Lenders are very careful about the amount of debt you have and how much you pay down every month on the debt payments you have.

## Get Loan Pre-approval

Don't start house hunting without knowing how much home you can buy. To find out, you have to apply for a loan, which means you're sharing financial information with the lender such as income and work history, student loans, child support or alimony, and credit card balances.

Contact your lender for a preapproval letter. The letter shows that the lender has taken a 1003 loan application, studied your debt ratios to your income, and helped you select a loan program such as fixed rate, ARMs (adjustable rate mortgages), FHA or VA government-backed loans, etc.

Your lender will confirm your down payment source, interest rate, type of loan that's best for your circumstances, and the terms of your loan. The lender will give you a loan commitment based on your qualifications. The home you select must meet appraisal, and the underwriting department must approve the loan.

A preapproval letter will open doors for you, pardon the pun. Sellers will be impressed because you're prepared to buy and that a lender has agreed to process your loan. Your real estate agent will have to know the terms of your loan in order to write your offer.

### **Find out about federal, state, and local government incentives**

Get help with your loan rate, closing costs and/or down payments through federal and state housing authority programs. For example, there are also incentives for workforce personnel – police, fire fighters/emergency services personnel and teachers.

Each community is different, so click on HUD's Housing Authorities to find out what's being offered in your community. Your city may be offering tax incentives to revitalize a designated public improvement area.

### **Narrow the choices**

Think about how you want to live. One story or two? Low-maintenance condo or big yard for the kids? New or older home?

Drive through the neighborhoods you're interested in and look at homes. Visit a few open houses in the neighborhoods you will consider. They will usually be listed in your local newspaper with the hours hosted. Be sure to tell the real estate professional hosting the open house that you are already working with a buyer's agent.

With Google maps, video, virtual tours, multiple photos, school reports, neighborhood reports and more available online or on phone apps, you can get a good idea of what neighborhoods, home styles, and home prices are like where you want to live.

### **Find an Experienced Real Estate Broker or Agent**

Buying a first home is a complex process. An experienced real estate broker or agent will assist you all through the process: the home search, comparable homes sold, making an offer, inspection, repairs, and the appraisal, as well as help you find the best value, neighborhood, and quality home for your budget and requirements.

The seller's real estate broker pays your broker or agent out of your loan proceeds. If you don't use your own agent, the seller's broker keeps the commission, so you might as well avail yourself of professional advice. Your real estate broker or agent works in your best interest.

### **Don't expect perfection**

There's no perfect home. You may want all the latest amenities of a new home, but even new homes come at a price, including longer commutes, higher community fees, and bigger pricetags.

Homes that need updating are priced below homes that are up to the minute and move-in ready. That could be to your financial advantage, so try to look beyond outdated fixtures and focus instead on the floorplan and dimensions. Ignore the seller's tastes and imagine each room clean and clear of

clutter and with your own things in them.

Most cosmetic changes are relatively inexpensive, and you can even pay for them with your mortgage loan, in some cases. Talk to your lender.

### **Think long-term investment**

Buying a home can be a wise financial investment, if you buy right and hold your home for long-term gain. Because of closing and moving costs, it's nearly impossible to buy a home and sell it immediately for a large gain, but it is possible to sell after a couple of years with no capital gains tax should you make a profit.

According to the National Association of REALTORS®, home equity growth beats inflation by about one to two percent annually, not to mention government subsidies for home ownership in the form of tax relief and other incentives.

However, if you look at owning a home strictly as an investment, you'll miss many pleasures. Look at your home as a home, rather than part of your portfolio. Buying a home allows you to live in the neighborhood you want for as long as you want, without having to worry that the landlord is going to sell out from under you. Your stake in a home makes you part of the community, committed to making it a better place to live.

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 **About the author, Blanche Evans**

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