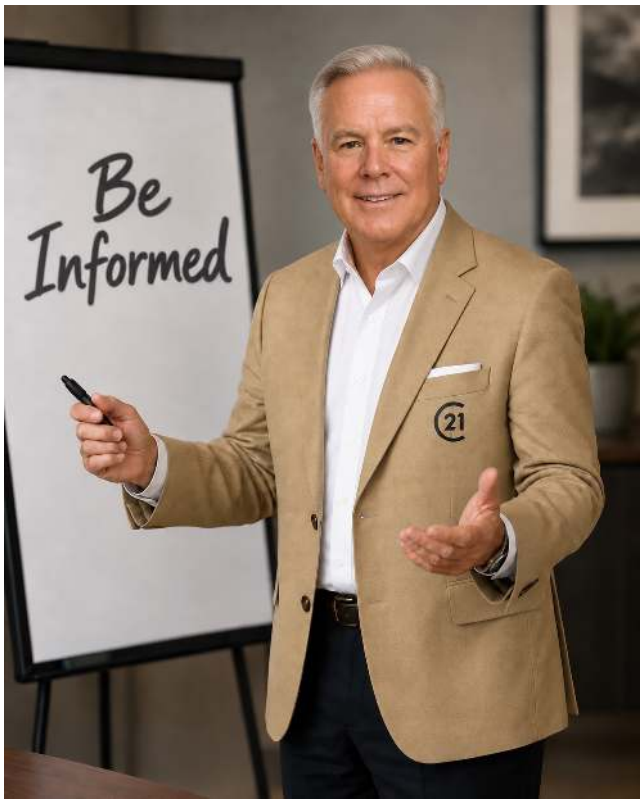
BUYERS

Preparing For Homeownership



Bob Latigona

Broker Associate
Broker Manager
South Jersey Regional Trainer

CENTURY 21 Alliance

Office: 856-429-7700
Cell: 609-876-7689

BobLatigona@icloud.com

boblatigonarealestate.com

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NATIONAL ASSOCIATION OF REALTORS®

CONSUMER GUIDE: PREPARING FOR HOMEOWNERSHIP

Whether you are a first-time buyer or planning your next move, you should consider many factors as you prepare for the home purchase process. Here's what prospective buyers should know:

How should I begin to think about what kind of home suits my needs? Before beginning the search process, you should consider what kind of home best suits your needs based on factors like size, location, convenience (including proximity to public transportation, schools, or recreational facilities), privacy, and amenities. It is also important to account for how your needs may change in the future. When deciding on which agent to work with, keep in mind that a REALTOR® is obligated to Put Client Interests Above Their Own. You can also ask a REALTOR® if they are familiar with your preferred markets and what their strategy is.

How important is my credit score? Establishing a good credit history takes time, and it is never too early to start working on it. Your credit score will impact your approval for a home loan and the terms of your mortgage, including how much you can borrow and what programs will lend to you. Buyers with strong credit scores may benefit from lower interest rates on their mortgage. Using credit cards and paying the balance off on time and in full each month can help you improve or start building your credit score.

What is mortgage pre-approval? Getting pre-approved for a mortgage can help buyers better compete in high-demand housing markets and, in some cases, can be required to make an offer. Pre-approval requires verified financial information and is different than pre-qualification, which provides an estimate of how much you can borrow using self-reported information. However, pre-approval does not lock in your mortgage rate, which may change with the market.

What if I can't afford the cost of the down payment? While down payments are typically 10-20% of a home's purchase price, some buyers may qualify to pay a lower down payment, such as 3-5% of the purchase price through a government-backed mortgage, such as Federal Housing Administration (FHA) loans and those from the Veterans Administration (VA), or down payment assistance programs. However, these lower down payments often require mortgage insurance. A higher down payment can help you avoid the cost of mortgage insurance and potentially help you qualify for a better interest rate.

What other items should I budget for? In addition to your down payment, mortgage payments, and closing costs, there are many other expenses to budget for when preparing to buy a home. Items like moving, maintenance and repair costs, utilities and monthly bills, homeowners insurance, and property taxes are also key considerations. Some buyers may also need to factor in annual or monthly payments to a homeowners association (HOA) or hazard insurance for floods or fire..

What resources are available to help me prepare for the buying process? For many buyers, the process of purchasing a home can seem complicated and overwhelming. Prospective buyers can participate in homebuyer education classes or work with a HUD certified housing counselor to gain tools and information to help resolve financial roadblocks, develop a budget, and work on a plan to meet the financial requirements of homeownership. Agents who are REALTORS® and your state and local REALTOR® Associations can help you find the right resources for your needs.

How soon should I be ready to move? While preparing to buy a home can take time, the process may move quickly once you begin looking at homes. Especially in markets with low inventory, home buyers will be best suited if they are prepared to act fast on a desired property or risk missing out on the first home they wish to purchase because they can't act fast enough. Be sure to consider your timeline and flexibility well in advance to avoid an unnecessary rush or scheduling issues.

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit facts.realtor for more information and resources.

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