

HOMESWISE

Real Estate Tips and Advice

By ANNA CHANG-YEN | Green Shoot Media

The home-buying process is multi-faceted and can be confusing and intimidating, especially for first-time buyers. Take steps to prepare and educate yourself as long as a year before you sign on the dotted line.

Depending on your situation, you may not have time to prepare as much as you'd like, but making every effort to understand and be ready for whatever curve balls might come your way can help ensure the transaction goes smoothly. Here are some suggestions for steps to take in the year before you start shopping for a home.

ONE YEAR BEFORE

Know your credit. For first-time homeowners, knowing and addressing any credit issues is absolutely key to the ability to buy a new home. You'll need some history with using credit, such as responsible use of a credit card, a history of student loan payments or a car loan. If you don't know what shape your credit is in, getting copies of your credit reports from the three major credit bureaus is essential. Starting early on addressing any potential credit issues will give you enough time to get through the process, which can be lengthy.

For example, if you find a late credit card payment listed on your credit report, but you have records showing the payment was on time, you'll have to dispute the status of the account with the credit bureau. The credit bureau will review your documentation and get in touch with the creditor to resolve the discrepancy. This process takes time, and if you need to address multiple credit issues, it could be months before your credit file is back in tip-top shape.

Now is also a great time to invest in a credit monitoring service. This will help you keep tabs on your credit reports from month to month, so that if any problems come up, you can take action



and avoid surprises.

SIX MONTHS BEFORE

Take a class. Educating yourself about the home-buying process is essential, so that you can be sure you understand the legal and financial ramifications of anything to which you agree. Homebuyer education courses are offered by many organizations, including community colleges, nonprofits, banks and credit monitoring providers. Some federally insured mortgage programs require buyers to complete an education course, and some courses will meet Fannie Mae's HomePath buyer education requirements, making you eligible for 3 percent in closing costs assistance to help with your purchase.

Good courses will cover topics such as deciding whether to purchase a home, the steps involved in the process, personal finance and credit basics, types of mortgages and how to qualify, shop for and choose a mortgage, the basics of real estate and finding a home, as well as closing and issues that may arise after closing.

With the proper education, you will know the proper questions to ask when navigating a purchase, as well as the

roles of all the people involved in the transaction.

Know the market. If you've chosen an area or neighborhood where you plan to purchase a home, now is a good time to read up on the local real estate market. Go to open houses and talk with agents (being sure to be honest about your intentions to hold off on a purchase for several months). Peruse the local newspaper and the web for homes for sale in the area, so that you will have a good idea of the size and type of homes available in your price range. Keeping your finger on the pulse of the local market also could provide an advantage when it comes time to purchase. For example, if you've had your eye on a house but it's been languishing on the market for months while other nearby homes are snapped up, you'll probably want to ask questions about any potentially hidden problems with the house. You also will get a feel for how quickly homes are being sold, so you'll know if you should act quickly on a new listing or wait out a price drop.

THREE MONTHS BEFORE

Find an agent. If your credit is in

good shape and you've done your homework on the buying process, now is a good time to find an agent. The best way to choose an agent is with the referral of a trusted friend or family member. If you don't have personal recommendations to lean on, make some phone calls and set up meetings with at least three agents in your area. Tell the agents you are a first-time buyer and ask about their experience with buyers in your situation. Be honest about any credit challenges you may be facing, and tell the agent about the type of home and area in which you're interested. An agent with experience in situations similar to yours will be best equipped to help you pull off a smooth purchase. Also note your personal connection with the agent, as you will be spending a lot of time with your real estate pro while you attend showings and open houses, and during the negotiation process. You want to be sure you've chosen a personality that won't clash with your own and create friction.

ONE MONTH BEFORE

Get pre-approved. You can work with a loan officer at your bank or credit union or use the services of a qualified mortgage broker. No matter how you go about financing your home, pre-approval is a must-have before you go shopping. Pre-approval requires a detailed analysis of your credit reports, income and debts, so unless a major unforeseen issue arises, a pre-approval is the best indication you will be fully approved for a mortgage. Some sellers won't consider an offer from a buyer who isn't pre-approved for a loan, because they worry that the offer might fall through due to credit issues.

With the hard work done, the next step is the fun part — shopping for a home where you can envision living your life for decades to come. Knowing your future will unfold in a house just waiting to be discovered can be exhilarating. Get out there and find it.



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Countdown to Homeownership

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REAL ESTATE 101



Find a Homebuyer Education Course

Looking for a homebuyer education program? Find a HUD-Approved Housing Counseling Agency in your area at tinyurl.com/2gssr3. The site lists specialties of each program — such as pre-purchase counseling and workshops, financial management/budget counseling and rental housing counseling — so you can find the program that's right for your situation.



HOMESWISE GLOSSARY

Federal National Mortgage Association (Fannie Mae or FNMA): a government sponsored corporation that buys and sells loans in the secondary market.

Interest Rate Margin: added to the index value of the loan to determine the note interest rate. This margin is fixed for the life of the loan.

SOURCE: Wisconsin Department of Financial Institutions

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