

Timing Couldn't Be Much Better for First-time Homebuyers-- Be Sure You Make the Right Moves

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First-time homebuyers dominated the U.S. real estate market in 2009, accounting for roughly half of all residential transactions, according to the National Association of REALTORS®.

That trend is likely to continue well into the new year. That's because interest rates are hovering near all-time lows, home-price affordability is near all-time highs and a third factor – Congress' extension of the first-time homebuyer tax credit until April 30, 2010 – make conditions quite favorable for those considering homeownership for the first time.

Still, with the prospect of making one of the largest investments you'll ever make in your life, you can easily become overwhelmed. Some of the questions you may be asking are: Will I be able to afford the home of my dreams? Do I have enough money for a down payment? Will I qualify for the tax credit? Will I make smart home buying decisions? If you go into the process prepared, your first purchase – like the current timing – can be just right.

Resources--Before starting out, educate yourself on the process. Attend a homebuyer seminar in your market, and check out a myriad of real estate resources online. Among those helpful online resources is prudentialrealestate.com, through which you can access millions of property listings and gain environmental reports, property profiles and value-range estimates for just about any residence in America.

Your real estate professional also is a great resource. Don't hesitate to let him or her know that you are new to the process. Your real estate professional will expect you to have questions at each step, from house hunting to making an offer through closing.

The costs involved in the purchase of a home can seem overwhelming to first-time homebuyers. There are mortgage costs, the down payment, and closing costs to think about.

Affordability--By looking at your income and debt ratio, your sales professional can help you calculate how much you can afford each month in mortgage payments. But before determining your price range, you should also take into consideration other factors that will affect your monthly budget once you are a homeowner, such as property taxes, insurance, homeowner association dues, utilities and maintenance. And if your down payment is less than 20 percent of the cost of the home, you will be responsible for private mortgage insurance, more commonly referred to as PMI.


Mortgage payment--Fear of being rejected for a home loan is one of the main concerns for first-time homebuyers. To lessen the stress, you may want to get pre-approved for a loan before looking at prospective homes. This will not only help you feel more confident, it will also give you an advantage where there are multiple offers for a specific property. In addition, the fact that your loan has already been approved is of great value to the seller because it shortens the purchase process, and there is less of a chance that the buyer will back out of the sale. If you don't have a specific mortgage lender in mind, ask your sales professional for a recommendation.

Down payment--The down payment amount varies depending on the value of the home you choose and your mortgage lender. Your real estate professional will be able to explain the different options available to you.

Tax credit--The first-time homebuyer tax credit, a key component of the American Recovery and Reinvestment Act of 2009, equates to as much as \$8,000, or 10% of a principal residence's purchase price, and is available to those who have not owned a principal residence in the past three years. You can use the tax credit to help purchase your home or help pay for its closing costs, or the credit can be used to remodel, refurbish and repair your property. See your tax advisor for details about the tax-credit program and how you may benefit.

Making offers--Don't feel pressured into making an offer on the first home you see. This is a common mistake of many first-time homebuyers. Make sure you view different homes to get a feel for the marketplace. When you decide on a home to make a bid on, work with your real estate professional to get all of your questions answered before making an offer. But don't wait too long to make an offer. The longer you wait, the greater the chance other prospective buyers may place offers, making it harder for you to negotiate a good deal.

Above all, remember there are no silly questions. Make sure you understand and are comfortable with every aspect of the transaction. Your real estate professional can be an invaluable asset in helping you make educated decisions so that your first home purchase is a rewarding experience.

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