

June 18, 2008

### **Back to basics – buying a home**

People find themselves in different circumstances throughout their lives, and owning a home might not fit into the plans for a given person at a given time. However, for most folks, buying a home at some point in their lives is the smartest financial decision they will ever make.

If you come to the conclusion that you're ready to invest in your future and buy a home, consider the following advice:

#### **Don't outsmart yourself**

Some people are trying to "time the market" and wait for the absolute best prices. This strikes me as risky and a little short-sighted. Good interest rates are currently available, so why not act now and start building equity? If you wait another year, and the price of the home goes down a few thousand dollars, but interest rates are half a point higher, what have you saved? Nothing – in fact, had you purchased, you'd have a year's worth of mortgage-interest tax deductions and a 12-month head start on building equity.

#### **Look for approval**

You may hear that you need to get pre-qualified for a loan, and that's a first step, but getting pre-qualified doesn't guarantee you'll be approved for the loan. A pre-approved mortgage assures everyone that your finances have been verified. This lets the seller and his agent know that you're a well-qualified buyer who is serious about purchasing a home and that your offer is to be considered legitimate.

Unfortunately, some borrowers are not completely honest or accurate when they give their financial information to a lender. They falsely inflate their income or savings to qualify for a larger loan amount. This is loan fraud – it's against the law and not to your advantage in the least.

#### **Give me some credit**

Your credit score gives lenders a fast, objective measurement of your credit risk. You will benefit by understanding how your credit score is derived and how you can improve it.

Also, you should learn how front- and back-end ratios (the percentage of your monthly income that you spend on housing and debts) affect an institution's willingness to loan you money.

#### **A loan at last**

There are many different kinds of loans available. Review all available options and choose the one that's best for you. If you're a first-time borrower, be careful with adjustable rate mortgages ... the attraction is strong due to lower initial monthly payments, but make sure you'll have the capacity to make the payments after the interest rate adjusts. I don't believe that those loans are inappropriate. I am simply cautioning you to make sure you understand what you're getting.

### **Upon further inspection**

Buying a home is probably the most expensive purchase you will ever make. Your inspection is no time to cut corners. The cost of hiring a home inspector is miniscule relative to the overall cost of the home. Don't ever buy a home without getting an inspection.

### **Pros versus Joes**

Real estate transactions have become increasingly complicated. Making wrong decisions can end up costing you money ... now and later. While it's not necessary, it's to your advantage to work with a buyer's agent – someone who will act as your advocate and who has a thorough understanding of the real estate business.

An agent you hire has fiduciary obligations to you, which means she is compelled to look out for your best interests. Not only will she help you find the best home and negotiate on your behalf, she may have recommendations for a lender, inspector, or other industry professionals.

### **Don't assume that all agents are the same**

Once you've made the decision to have professional representation, be sure your agent is a Texas Realtor. Many people think that the terms *Realtor* and *real estate agent* are synonymous. They're not. Only those agents who belong to the National Association of Realtors and pledge to adhere to a strict code of ethics may call themselves Realtors. Your Texas Realtor will look out for your best interests and help you find the home of your dreams while helping you avoid making mistakes you might later regret.

To learn more about buying and selling real estate in the Lone Star State, or to find a Texas Realtor, I encourage you to visit [TexasRealEstate.com](http://TexasRealEstate.com).