

Let's Talk Finances

4 Tips for First-Time Home Buyers



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In many areas of Wisconsin, the housing market is still going strong from the active summer months, interest rates are still at historic lows, and real estate prices are competitive. You might be wondering if it's time to take the plunge into homeownership. If you decide that now is the right time for you, here are four tips for first-time home buyers that will help your transition from renter to owner go smoothly:

#1: Do the prep work.

Before you even start looking at listings, you should get your finances in order. The housing market is fiercely competitive, and buyers who have been pre-approved for financing have the edge. First, review your credit score and clear up any errors you find. Then, go to your bank and get pre-approved for the largest mortgage loan you can (many banks allow you to do this online). A free service at most banks, loan pre-approval will boost your credibility with real estate agents and sellers because it shows you're able to get financing and are serious about buying a house. It will also make the process of applying for your mortgage faster, especially if you obtain the loan from the same bank that pre-approved you for credit.

#2: Stick to your budget.

Buying a house is likely to be the largest purchase you ever make, so making and sticking to an accurate, realistic budget is essential. The first step is to look at the amount of cash you have in your checking and/or savings account and determining how much of that you're comfortable parting with as a down payment (keeping some savings in reserve for emergencies, of course!). Next, get as much information about how much the houses you're looking at will cost, being sure to factor in all of the expenses, including closing costs, principal and interest mortgage payments, taxes, insurance, utilities, commuting, etc.

#3: Build a team you trust.

The next key to buying your first house is to assemble a team that you trust. The real estate purchase process is complex, and you need experts on your side who will work with your best interests in mind. Find a real estate agent and a mortgage lender you get along with and trust to give you good advice. Often, if you find one, they'll recommend the other, since professionals in these fields work with one another frequently.

#4: Read before you sign.

Closing on a house can be an emotional, nerve-racking process, but it is critical that you take the time to understand the document you're signing your name to. Read everything, and if you don't understand something, ask your lender or real estate agent to explain it. Buyers have many different options for mortgages, from the standard fixed-rate 30-year loan to a 10- or 15-year variable rate, and other more complex options. No matter what your financial situation is, the key is to ask as many questions as you need to in order to understand what you're committing to. After all, it's probably the biggest financial commitment you're ever going to make.