



## FIRST TIME HOMEBUYER? – Things to Consider Before Taking that Leap

May 1, 2021

Life is full of many exciting firsts. Your first steps, your first car, your first love, your first job, and now your first home! You've made it to what most would call "living the American dream," but now what? Since buying a home will likely be one of the largest financial investments you'll make in your lifetime, there are several things you need to consider before making that leap:

### 1. **Decide what you want out of a home**

When figuring out what type of home you want today, plan for the future as well. You don't want to buy a one-bedroom apartment if you plan on having kids in the next couple of years. That could get crowded quickly! Write a list of things you must have versus things that you would like to have. Important things to think about are location and/or school district (you can always change the home but you can't change those two things). Once you have an idea of what you want, start researching homes for sale that match your criteria. Remember that you'll probably never find a home that checks off all the boxes, but you want it to check off the most important ones!

### 2. **Get that credit score up**

A good credit score (north of 700) could save you hundreds of dollars on your monthly mortgage payment. It is one of the most important factors lenders review when determining if they'll approve you for a loan, what amount they'll approve you at, and the interest rate they're willing to give you.

### 3. **Make sure you're pre-approved by a lender before looking**

Nothing is worse than finding that perfect home and watching someone else buy it! If you want to get an offer accepted on a home, it's important to receive pre-approval from a lender prior to looking. This will show the seller that your finances are stable and you can afford the home.

### 4. **Buy what you can afford – not what you're approved for**

The last thing you want is to buy your dream house and not be able to afford to do anything else! During the pre-approval process, you'll likely get approved for a loan that is far greater than you could comfortably afford. This is why it is important to KNOW YOUR BUDGET! When deciding how much you can afford it's important to take into consideration all the expenses related to a home purchase (mortgage payment, property taxes, homeowner's insurance, and homeowner's association (HOA) fees (if applicable)).

### 5. **Be aware of ALL initial costs involved in buying a home**

You want me to pay what?! Before buying home, make sure that you have enough funds saved to pay for the following:

- Earnest Money (aka good faith deposit) – the amount of money you have to fork up as soon as your offer is accepted (usually 1-3% of purchase price, a portion of your down payment)
- Down Payment – Percentage home price you pay at closing (usually 3-20% of purchase price depending on situation)
- Closing Costs – Yes there are fees that you must pay at settlement (inspection costs, title insurance, etc.). In addition, if you want to pay your property taxes and insurance through your escrow account, you'll be required to pre-pay 4-6 months of these expenses at closing.
- Additional Furniture – You know you'll want to get new stuff
- Home Improvements – You might want some of these done day one!

### 6. **Play shop until you drop for a good, experienced realtor**

Buying a new home is a very stressful process. It's important to have a knowledgeable, experienced, available, and passionate person in your corner fighting for you.

### 7. **DON'T BE AFRAID TO NEGOTIATE! (examples: purchase price, interest rates, realtor fees [if selling])**

As always, please reach out to your trusted advisor with any questions.



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