



***Domania's First-Time, First Steps***  
A First-Time Buyers Guide  
Spring 2000

\*\*\*\*\*

*Domania's First-Time, First Steps is a guide and should not be used as a replacement for professionals in the home buying process. Nor does it imply or replace the need for legal advice. References to sites or resources herein do not constitute endorsements by **domania.com**. As always, you should consult your financial planner, tax advisor or other relevant professionals including attorneys when making financial decisions surrounding a home purchase.*

\*\*\*\*\*

## ***INTRODUCTION***

Buying a home is one of the single most important financial decisions that you'll ever make. Unlike assets accumulated for a discretionary or future need, your investment in your home – financially and emotionally – is ongoing and often continues for a lifetime. The steps you take to educate yourself about home buying generally, to understand the process specifically and to arm yourself with real estate information can mean the difference between a happy and harried sale.

***Domania's First-Time, First Steps*** has been created to help you think about what you need *before* entering the home buying process. It is the result of the combined thoughts, ideas and experiences of the think-tank at **domania.com**. Domania.com encourages **you** to be the driver of the information-acquisition and decision-making processes, as ultimately, your happiness depends on it.



## ***CONTENTS***

Your First-Time **TUTOR**

- ONE**      **T**hink About Your Needs
- TWO**     **U**nderstand the Process
- THREE**   **T**alk to People in “Your” Neighborhood
- FOUR**    **O**rganize yourself to get to “Real” Information
- FIVE**     **R**esearch the Financial Aspects of Home Buying

## **TUTOR Tips List**

### **ONE Think About Your Needs**

Simply put, buying a home is probably the biggest decision you'll ever make during your lifetime. It will be exciting, fraught with emotional highs and lows, and yes, anxiety. Advance thinking now, such as developing a wish-list and action plan, can ultimately help demystify the process and reduce your anxiety.

#### DO

- **Know why you're making the decision to buy** versus rent or live under some other arrangement.
- **Examine and determine your specific needs as a first-time buyer.**  
How much room do you need? Are you concerned about quality schools? Commuting time? Proximity to family and friends? Is this a "starter" home or are you likely to be here in five or ten years? Are you buying at the height of or bottom of a market? What financial resources do you have, or must you obtain, to make your home purchase a reality?
- **Educate yourself about the types of homes available, and determine which one will meet your needs.**  
Detached single-family home, multi-family home, condominium or co-op? Understand the differences inherent in choosing one type of property over another (Single family means you do all the work; a condo could mean sharing problems and expenses even when they don't directly affect you). Be prepared to conduct thorough research and ask specific questions on the type of property that you choose.

#### DON'T

- **Take as Gospel everything everyone tells you.**  
The experiences of other buyers, family and friends are important, but they must be weighed against your specific needs, tastes, interests and financial resources. Realtors, buyer-agents and others also will be invaluable to you in the process, but remember that the decision and responsibility ultimately are yours. That is why the control should be, too.
- **Make assumptions about the role of each professional in the real estate process.**  
Many allies and advocates populate the process. Clarify if you can, each professional's role beforehand and make sure to ask questions during. Buyer-agents and other professionals can advocate for you in the process, but they come at a cost.

## **TWO** Understand the Process

### DO

➤ **Research and Read.**

Absorb everything that you can about home-buying, with a particular emphasis on information targeted to the first-time homebuyer.

Spring is a traditional season of home buying. During this time, personal finance magazines such as *Kiplinger's Personal Finance*, *Money* and *Smart Money* publish home buying guides. These can be useful in starting your thinking and self-education.

You might also investigate a number of resourceful books written about the process. Some titles to consider include *100 Questions Every First-Time Home Buyer Should Ask* by Ilyce R. Glink; *Yes! You Can Own the Home You Want—The First-Time Buyer's Guide to Affordable Homeownership* by Gary Eldred; and, *Home Buying for Dummies* by Eric Tyson and Ray Brown.

➤ **Understand the role that each professional plays in the process.**

Agent, broker, buyer-broker/agent, Realtor®, lender, attorneys. Know the definitions of players' roles and ask questions about them.

➤ **Get free, or inexpensive resources, that complement your own research.**

Consider resources such as the U.S. Dept. of Housing and Urban Development <http://www.hud.gov/buyhome.html>

➤ **Consider home buying fairs and home buying seminars.**

Non-profit housing organizations, community and civic organizations, as well as financial services companies, offer a range of home buying seminars, often free of charge. Take advantage of these and enroll according to your needs. Even those with a certain "sales" element to them can be useful if you approach them as your agent for acquiring information.

➤ **Get online.**

The World Wide Web provides excellent access to vital and sometimes hard-to-find real estate data that could take months to get using traditional methods (going to the courthouse, etc.).

### DON'T

➤ **Approach the process without having done some "homework".**

(See **TUTOR** Tips at the end of *First-Time, First Steps*)

➤ **Underestimate the power of asking questions and getting informed up front.**

➤ **Learn about the process as you're living it.**

### **THREE**    **T**alk to People in “Your” Neighborhood

#### DO

- **Make a day of it in the neighborhood of your dreams.**  
Walk the streets. Meet the people. Find out what services are in your immediate reach. Take notes.
- **Attend open houses.**  
Better still; map out plans to attend a number of open houses in your neighborhood of choice. While this is a good opportunity to get some sense of what a particular neighborhood offers for the money, it's a great way to ask questions about the neighborhood, about the people in it, the quality of schools and the availability of resources. And, you can overhear the questions and whispering of other buyer-prospects.
- **Buy local newspapers and research the goings-on in a potential neighborhood.**  
Check in with chambers of commerce and town halls. Is a property tax-cut override looming? Have SAT scores in the town just fallen to a 10-year low? Will they be cutting off sanitation services to pay for a new on-ramp?
- **Get online and visit Web sites about the town/city/neighborhood.**  
Research the existence of message and chat boards catering to individuals in a particular community. If you're stuck, local newspaper Web sites can be a good start.
- **Investigate home sales and property values.**  
Do properties in the neighborhood/town turnover frequently? Which way are prices going, up or down? This may be hard to determine without the help of a Realtor, but you can check your newspaper's Sunday Real Estate section to start.

#### DON'T

- **Assume that your dream neighborhood is the same at night as it is during the day.**  
If you live in an urban neighborhood, a quiet business-focused street can take on a completely different personality at night. Or, you may learn that your prospective next door neighbor likes to listen to head-banging music from the time he comes home until the time he goes to sleep at 1:00 a.m.
- **Think that sellers or residents will tell you every hidden secret about a neighborhood.**  
They won't. Spend time there; listen; observe.

## **FOUR** Organize/Empower Yourself with “Real” Information

### DO

- **Get your hands on valuable real estate information that often is part of public record in U.S. states.**

You can get these by researching physical public records or more easily, and increasingly, by searching for them online. Aside from [www.domania.com](http://www.domania.com), there are a handful of real estate sites that offer you free access to home sales comparables (“comps”), i.e., the actual selling prices of homes, as well as other valuable real estate data.

- **Get information about special lending, qualification and down payment programs for first-time homebuyers.**

Are you a Veteran of military service? Do you qualify for certain first-time homebuyer programs? Does a work or affinity group offer programs for buyers or special mortgage offers? Research the resources offered by the likes of Fannie Mae (<http://www.fanniemae.com>).

- **Use Open Houses as opportunities to see yourself living in different home styles** and using their amenities (e.g. can I go through my morning routine in this bathroom; can I cook and talk to my wife and kids in the living room at same time).

### DON'T

- **Pay too much for a home because you didn't investigate the market.**

And don't forget line items like condo fees, or water or sanitation that might not have been relevant in your previous living situation.

- **Enter bidding-wars haphazardly.**

Popular in some regions of the country, they can later prove a fool's folly when it comes to resale value or attempts to refinance.

- **Assume that your current lifestyle and needs will translate exactly to your new home or neighborhood.**

Know what will translate and what won't.

- **Think your dream home will be found in the first home, or first ten homes, that you see.**

- **Put a time limit on your home search.**

For some it takes weeks, for others, years. Don't let that affect your decision.

## **FIVE**   **Research the Financial Aspects of Home Buying**

If the emotional elements of the buying process aren't enough to challenge you, the financial preparedness elements will. Rest assured, there are a number of things that you can do to make sure the process goes as smoothly as possible.

### DO

- **Assess financial resources and debt load before you begin.**  
Before you begin the process, know how much you can afford and how much debt you're willing to carry. Understand debt-income ratios (generally housing obligations can represent up to 28 percent of your income; those plus other total debt, should not be more than 36 percent of your income).
- **Determine how much home you can, and want to, afford.**  
Use mortgage calculators, which are plentiful online, and get yourself prequalified. How much you can afford will guide what you shop for.
- **Determine sources to fund your downpayment.**  
How much do you have? How much will be required? Investigate low-down payment purchase options. Be aware that if you put down less than 20 percent of the purchase price, you may be required to carry private mortgage insurance (PMI). PMI adds cost to your monthly housing payment.
- **Check your credit well before mortgage approval and/or making an offer.**  
The three major national credit reporting companies are: 1) Trans-Union (800-888-4213/800-916-8800), 2) Equifax (800-685-1111), and 3) Experian (888-EXPERIAN/888-397-3742). Credit reports do cost money. However, you may be eligible for a free report based on the state you live in or as a result of other services to which you subscribe. Scour reports for inaccuracies or open accounts that should be closed before the mortgage process gets underway.
- **Mind the Mortgage.**  
Complement your intelligence gathering with helpful overviews such as the Federal Reserve Board's free guide, Home Mortgages: Where to Shop and What to Look For ([http://www.bog.frb.fed.us/pubs/mortgage/mortb\\_1.htm](http://www.bog.frb.fed.us/pubs/mortgage/mortb_1.htm)). Know mortgage types, downpayment requirements, associated costs, relevance to your need and anticipated term of ownership.

### DON'T

- **Avoid serious discussion about family finances or concerns about debt management.**  
Discuss them now to avoid regrets later.
- **Think that credit difficulties, past or present, will be overlooked or ignored.**  
Correct problems immediately and be prepared to explain legitimate "blemishes" and to detail steps taken to correct reporting errors.
- **Wait until an offer is accepted to think about financing needs and qualifying for a mortgage.**  
The mortgage process can be one of the most time consuming. A slowdown here can be quite nerve-wracking.

## **First-Time, First Steps TUTOR Tips**

- **Know why you're considering a home purchase for the first-time.**
- **Prioritize with your spouse, partner or co-buyer the most important elements that need to be met in your dream home.**

Address differences and concerns about finances upfront and honestly. Don't find out there's a major difference in needs a week before closing.
- **Determine which of several home types you're interested in:**

e.g. a single family is different than a condo; both are different than a multi-family home. Where do you want to live: City? Small town? Rural/country setting? Close to schools? Close to work? Neighborhood amenities including shopping?
- **Create a "wish-list" representing what you want in an ideal home.**
- **Get educated! Learn about the process before you enter it.**

Helpful resources include:

  - HUD's "Homebuyer's Kit" (<http://www.hud.gov/buyhome.html>)
  - Federal Consumer Information Center  
<http://www.gsa.gov/staff/pa/cic/housing.htm>
  - International Real Estate Digest (<http://www.ired.com>)
  - National Association of Exclusive Buyer Agents (<http://www.naeba.com>)
  - Fannie Mae/Homepath (<http://www.fanniemae.com> and <http://www.homepath.com>)
  - U.S. Consumer Gateway (<http://www.consumer.gov/yourhome.htm>).  
Good information and links available through a number of government resources including the Federal Deposit Insurance Corp (FDIC), HUD and the Federal Trade Commission (FTC)
  - Consumerworld.org.  
(<http://www.consumerworld.org>)  
Links to consumer-focused information and empowerment sites on hundreds of topics including housing
  - Domania's Home Price Check (<http://www.domania.com/homepricecheck>)  
Check actual sales prices in neighborhoods that you're exploring
- **Develop a timeline.**

When do you want to buy? How much time do you want to spend researching? How much "window-shopping" do you want to do before committing to the process? At what point do you want to involve others on your behalf?
- **Make an Action List:**
  - Time Line
  - Research Period
  - Getting "real" information
  - Getting others involved
  - Checking your credit record
  - Examining prequalification before shopping
  - Consider preapproval if you're really ready to buy

- **Build a Buyer's Bag:**
  - Binders, notebooks, filler-paper and photo protectors
  - An instant camera or disposable camera for photographing neighborhoods, open houses and ideal homes
  - Pocket calculator
  - Your research
  - Phone contact list
  - Map of your target city or town
  - Copy of your Action List
  
- **Manage the "Money" and Mortgage End of the Process Early**
  - Know how much debt you have. Get rid of debt, including credit cards that you don't need or use.
  - Check your credit record. Document and correct errors; save copies of correspondence between you and creditors and be prepared to show these later in the mortgage approval process.
  - Use worksheets and prequalifying resources to determine how much home you can afford and how much mortgage you're comfortable handling. (Remember this will be guided by permissible debt-income ratios.)
  - Consider preapproval, versus prequalification, if you're really ready to buy. Having this can be advantageous in the oftentimes competitive bid process.

**CONCLUSION**

Buying a home for the first time, or any time, is a major financial and emotional investment. You can minimize chaos if you think about the process in advance of pursuing it. You'll also benefit by taking responsibility for yourself as the driver of the process. Taking the time to decide what you want and need, to map out an action plan, to get information and to learn and understand the home buying process, and the roles of individuals therein, will serve you well. This will guide you to finding the right home, making the right offer and closing successfully. By taking the lead, you are in a better position to work with others in the process and to find a home that meets your personal and financial needs.

\*\*\*\*\*

***Domania's First-Time, First Steps** is a guide and should not be used as a replacement for professionals in the home buying process. Nor does it imply or replace the need for legal advice. References to sites or resources herein do not constitute endorsements by **Domania.com**. As always, you should consult your financial planner, tax advisor or other relevant professionals including attorneys when making financial decisions surrounding a home purchase.*

\*\*\*\*\*

**About domania.com**

Domania.com (<http://www.domania.com>) leads the education of homebuyers, homesellers and homeowners by providing free online access to public real estate data and information. Domania.com empowers consumers with its **Home Price Check**, the largest free online bank of home sales comparables, **Value Check** and **Property Tax** tools. Domania.com's Home Price Check service already has been cited as a Top 10 online real estate destination by Nielsen//NetRatings and also is available through relationships with leading web properties including Yahoo! Real Estate, America Online (AOL), CompuServe, Dow Jones, The Motley Fool, and MarketWatch.com, Inc. Domania.com is managed by homeowners for homeowners to be a consumer-focused content and community destination that supports Americans through a

lifetime of managing their most prized and valuable assets, their homes. Privately-held domania.com is an investment of CMGI @Ventures, the venture capital affiliate of CMGI (NASDAQ: CMGI).

Access additional information about Domania.com, its leaders, and its suite of tools and services online at [http://www.domania.com/domania/corporate/about\\_press.jsp](http://www.domania.com/domania/corporate/about_press.jsp)

May 2000 Copyright © domania.com