



5 Things Every First-Time Home Buyer Needs to Know

Congratulations! After years of renting, you feel ready to buy your first home. But the home-buying process can be a terrifying edge-of-your-seat endeavor, especially for first-timers. But the whole thing will seem a whole lot less scary if you arm yourself with a few facts.

Here's what every first-time home buyer needs to know to dive into house hunting with confidence - and with as few curveballs as possible:

1. Figure out how much home you can afford

Homes cost a bundle, so odds are you'll need a home loan, aka mortgage, to foot the bill, along with a hefty down payment. Still, the question remains: What price home can you really afford? That depends on your income and other variables, so punch your info into [Realtor.com's home affordability calculator](#) to get a ballpark figure of what you can manage.

In general, experts recommend that your house payments (mortgage, maintenance, taxes) should not exceed 28% of your gross monthly income. So, for example, if your monthly (before-tax) income is \$6,000, multiply that by 0.28 and you'll see that you shouldn't pay more than \$1,680 a month on your home.

But online calculators give just a ballpark figure. For a more accurate assessment, head to a lender for mortgage pre-approval. This means the bank will assess your credit history and other factors, then tell you whether you qualify for a loan, and how much. Mortgage pre-approval also puts home sellers at ease, since they know you have the cash to back up your offer.

2. Pick the right real estate agent

You buy most things yourself—at most, sifting through a few online reviews before hitting the Buy button. But a home? It's not quite so easy. Buying a home requires transfer of a deed, title search, and plenty of other paperwork. Plus there's the home itself—it may look great to you, but what if there's a termite problem inside those walls or a nuclear waste plant being built down the block?

And did we mention there's a whole lot of money involved?

All of which is to say, you will want to have a trusted real estate agent by your side to explain the ins and outs of the process and help you make the best decisions at every step. Make sure to find an agent familiar with the area where you're planning on purchasing; the agent will have a better idea of proper expectations and realistic prices.

Shannon McCarthy Team members are experts in the Greater Saratoga Region and surrounding areas. We don't just work here, we live here too!

3. Know there is no such thing as a perfect home

It's your first home - we understand if you've dreamed about the ideal house and don't want to settle for anything less. We've been there! But understand that real estate is about compromise. As a general rule, most buyers prioritize three main things: price, size, and location. But realistically, you can expect to achieve only two of those three things. So you may get a great deal on a huge house, but it might not be in the best neighborhood. Or you may find a nice-sized house in a great neighborhood, but the price is a bit higher than you were hoping for. Or else you find a home in the right neighborhood at the right price, but it's a tiny bit, um, cozy.

Such trade-offs are par for the course. Finding a home is a lot like dating: "perfect" can be the enemy of "good." Or even "great." So find something you can live with, grow into, and renovate to your taste. The Shannon McCarthy Team can help!

4. Do your homework

Once you find a home you love and make an offer that's accepted, you may be eager to move in. But don't be hasty. Don't purchase a home without doing your due diligence and add some contingencies to your contract—which basically means you have the right to back out of the deal if something goes horribly wrong.

The most common contract contingency is the home inspection, which allows you to request a resolution for issues (e.g., a weak foundation or leaky roof) found by a professional.

Another important first-timer addition: a financing contingency, which gives you the right to back out if the bank doesn't approve your loan. A pre-approval makes this possibility much less likely, but a pre-approval is not a guarantee.

You also might want to consider an appraisal contingency, which lets you bail if your lender values the home at less than what you offered. This will mean you will have to come up with money from your own pocket to make up the difference—a tough gamble if cash is already tight.

5. Know your tax credits

The first-time home buyer tax credit may be no more, but there are a number of tax breaks new homeowners may not be aware of. The biggie: Mortgage interest deduction is a boon for brand-new mortgages, which are typically interest-heavy. If you purchased discount points for your mortgage, essentially pre-paying your interest, these are also deductible. Some states and municipalities may offer mortgage credit certification, which allows first-time buyers to claim a tax credit for some of your mortgage interest paid. Check with us to see if this credit applies to you.

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