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Get all the information before you start shopping

First-time home buyers will make up a major component of the homeownership market over the next 10 years, buying an estimated 24 million homes, according to the government-sponsored lending corporation, Freddie Mac.

If you're considering a leap into homeownership, you'll be in good company, joining an estimated 70 percent of Americans who have made the investment.

However, many millions of families and individuals have sidestepped buying a house because they believe they can't afford it.

Staying within one's means is important, but homeownership can be a wise choice for many.

"Education is key," says Peter J. Birnbaum, president and CEO of Attorneys' Title Guaranty Fund, Inc. (ATG). "Prospective buyers who educate themselves about the buying process will be in a much better position to know when and how to take that big step forward and become a first-time home owner."

ATG, which provides title insurance to home buyers and lenders through its 3,700 attorney members, offers these tips to would-be buyers:

- Do research on what is involved in buying a home. Consider attending a seminar geared to first-time buyers. Such programs are often presented by local nonprofit organizations. The Department of Housing and Urban Development (HUD) has a hotline (800) 569-4287 to help you find free pre-purchase counseling sites.

- Create a list of the features you want in your home. This includes the number of bedrooms, bathrooms, garage, yard, and other details. When you are ready to engage the services of a real estate broker, he or she will need this information to locate properties that have the features you desire.

- Determine what you can afford and get your finances in order by reducing or eliminating credit card and other debt. Use an "affordability calculator," available on many real estate-related Web sites. Also, contact a mortgage lender to help you determine what you can afford to pay. Keep in mind that mortgage lenders usually require that your monthly

mortgage payment (including escrows for property taxes and homeowners insurance) be no more than 33 to 36 percent of your monthly gross income (that is, your income before taxes and other deductions are taken). You need to ensure that you have funds available to cover an earnest money deposit, which will be required to secure a real estate contract. Required earnest money deposits are negotiated by buyers and sellers but can range anywhere from \$1,000 to 10 percent of the purchase price of the house. There may also be a down-payment to make, which is a percentage of the purchase price.

- Hire an attorney first. An independent attorney (not one offered by the seller or lender) will walk you through the legal aspects of the buying process and be on your side every step of the way to ensure the process goes smoothly.

- Identify a qualified real estate broker. To find a broker that you're comfortable with, talk to family and friends.

- Do not let yourself be pressured into signing a contract before you and your attorney have reviewed it. It can be difficult, if not impossible, to change or get out of a contract once it's been signed.

- Take time to shop around for a mortgage, and get pre-approved by a reputable lender. Rates, terms and fees vary. A misinformed choice can cost you thousands of dollars over the life of the loan.

- Be aware that there are laws that protect you from scams, unnecessary expenses and discrimination. Unfortunately, there are unscrupulous lenders who prey on first-time buyers. If you think you may be a victim of so-called "predatory lending," talk to your attorney.

- Know that as a first-time buyer, you may qualify for a new I-Loan Certificate offered by the Illinois Housing Authority (and in Chicago, through the city housing department), that could cut your federal tax bill by \$2,000. Your attorney can fill you in on the details.

Once you've identified the home you want to buy, take the following action:

- Obtain a professional inspection of the house. The contract you sign should indi-

cate that you have the right to a home inspection by someone you select (a licensed home inspector, engineer or architect) and that the contract can be canceled if you are not satisfied with the results. The resolution of inspection issues should be handled by your real estate lawyer. If they cannot be resolved to your satisfaction, you have the right to cancel your contact to purchase the home.

- Get any promises for repairs in writing. If all the work is not complete by the time of the closing, have the money put in a special account until the work is done.

- Before closing on the house, you and your attorney should agree on any last-minute changes in the contract. The closing is the final step and the time when you receive the keys to your new home.

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