

Interest rates are still historically low, but rising. The housing market is strong. The economy is on the upswing... You've decided now's the time: you're going to buy your first house. It can be an intimidating process, so here are a few tips to help your transition from renter to owner go smoothly:



**1: Do Your Research** - The first—and most crucial—step in home buying is to determine how much you're able to spend. That includes knowing how much of your savings you're willing to apply to the down payment and how much you can afford each month for your mortgage payment. In general, housing costs (including property taxes, utilities, maintenance, and insurance) should not be more than 28 percent of your pretax income. Another good baseline is to make sure your mortgage is less than five times your annual income. So, if you make \$45,000/year, shoot for a mortgage less than \$225,000.

**2: Build a Great Team** - Purchasing a house isn't a one-person job; it takes a team. Assemble a group of experts you trust to 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.

**3: Get Pre-Approved** - Loan pre-approval is a free service at most banks and 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. First, review your credit score and clear up any errors you find. Then, go to your bank (or online) and get pre-approved for the largest mortgage loan you can; keep in mind you probably won't end up signing a mortgage for this "stretch" amount, but it will give you wiggle room while you're house hunting.

**4: Ask Questions** Buying a house is the most significant financial commitment most consumers ever make, and it can also be an emotional, stress-inducing process. Asking questions—no matter how silly you think they are—is a simple way to reduce some of that stress. Not sure what the difference is between a fixed-rate loan and an ARM? Ask! Don't know how long it will take to close? Ask! Especially when it comes time to sign the final documents, be sure to read everything and ask for clarification on anything you find confusing. That awesome team you assembled will help you understand what you're committing to.