

If you're looking to take advantage of great rates and buy your first home, make sure you prepare with today's real estate market in mind. Here are a few tips to get you started on your journey to homeownership:

Know your budget.

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 homeowners insurance) should not be more than 28 percent of your pretax income. If you can afford it, negotiate for a larger down payment or a shorter loan term to reduce overall interest costs.

Get preapproved.

To improve your chances at getting a lower interest rate on your mortgage and have the flexibility to move quickly once you find a house you want to buy, ask your bank to pre-approve you first. A free service at most banks, loan pre-approval will boost your credibility with real estate agents and sellers because it shows you're able to get financing and are serious about buying. 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.

Shop around for your mortgage.

Just like you shop around for the perfect house, make sure you shop around for the perfect mortgage. Don't only compare the interest rates, however. Look at loan origination fees, administrative fees, title insurance, settlement charges and any other costs added to the price of the house. It's also helpful to have an established relationship with the bank you're getting the mortgage from. They'll have a better understanding of your financial goals and be able to recommend the best mortgage product for your circumstances.

Find a great real estate agent.

Once you've selected the bank you'll be getting your mortgage from, ask your mortgage banker for recommendations for a buyer's agent. They work with agents on a daily basis and will have a good idea of who will work well with you and meet your needs as a client. The process of buying a house can be complex, so working with a real estate agent that you trust is essential for a smooth first-time buying experience.

