Newlywed Homebuyer's Guide:

Begin your life together with a strong foundation

Compliments of Megan Nickoloff

Semonin Realtors
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Newlywed Homebuyer's Guide

Should Newlyweds Buy a House?

So you've returned those well-meant-but-weird gifts, sent the thank you notes and settled into your newly married life. If you're like many freshly minted couples, now you're thinking about buying a home of your own -- with plenty of storage space for the wedding gifts you actually kept. But how do you know if you can afford to be homeowners? Is it wise to buy a home before the ink dries on your marriage certificate? What are some of the common mistakes newlyweds make when buying their first home?

Don Patrick, a Certified Financial Planner with Integrated Financial Group in Atlanta, is a big fan of couples becoming homeowners. However, he's cautious about recommending such a big investment for pairs just starting their married lives together. "While having a home of your own is certainly rewarding," he says, "many young couples are swept up in the romance of their new life and forget that buying a home is a huge financial commitment."

Allyson Bernard, a veteran Realtor with Real Estate Professionals of Danbury, Conn., agrees. She works carefully with newly married clients to ensure that they've given attention to other financial commitments in their life (paying down student loan debt, cleaning up credit card debt, etc.), and that they're not buying more house than they can comfortably afford. "I want my clients to be happy in their new homes, not to lose their houses in two or three years because they weren't really prepared to be homeowners," she says.

1. Clean up your financial house.

Before you take on a mortgage, eliminate as many other financial commitments as you can. Pay off leftover wedding or honeymoon bills or credit card debt. Pay down or even pay off car loans. Take a close look at your student loan debt and any old debts either of you brought into the marriage. Patrick's rule of thumb: A couple's total monthly debt -- including their new house payment -- should not be more than 35 percent of their gross income. You should also pull copies of both of your credit reports to see where you stand. You can learn how to get and read your free credit reports on Bankrate.com. Your credit ratings will make a big difference in your mortgage interest rate and, therefore, your monthly house payment. Finally, get life and disability insurance for each of you. Life insurance, particularly, is cheap these days. If your employer doesn't offer it, or doesn't offer much, consider individual policies. If something tragic should happen to one of you, the insurance can help pay down -- or completely pay for -- your new home.

2. Resist the urge to splurge.

If you're looking forward to buying a home within a year, don't take out loans for that new "now-we're-a-couple" car, an expensive suite of furniture or trendy weekend toys such as motorcycles. Aside from the fact that you'll

need extra money for your home down payment, mortgage lenders don't like seeing new debt on your credit report. "You don't have a reliable record of payment for a new car, for instance, so you're in a riskier category financially," says Patrick.

3. Manage your moves.

If one of you is moving to a new job or changing careers, sit tight on the house purchase for three to six months. A stable employment history is important to mortgage lenders. If you move to a new city after you get married, consider renting for a year before you buy a house, says Patrick. "It can take a while of actually living in a new place before you know which neighborhoods are the ideal ones for you," he says. Save, save, save. Even if you need to put contributions to your retirement plan on hold, this is the time to sock away cash. Patrick likes couples to have at least three months of expenses stashed in an emergency fund (in savings or a money-market account) in case one partner loses a job, gets ill, becomes pregnant, etc. You don't want to lose your house when an unexpected financial crisis hits. It's also smart to save up a hefty down payment. The more you pay upfront on your house, the smaller your fixed monthly payments will be. You may also be able to eliminate the cost of private mortgage insurance, or PMI, by putting down at least 20 percent of the house's cost.

4. Get pre-approved before house-love hits.

Bernard won't show clients any houses until they've had a serious sit-down with a mortgage lender, even if it's not the bank or broker they eventually use. "It's just awful to see a newly married couple get their heart set on a particular house, only to find out afterward they can't afford it or they're not creditworthy enough for a decent mortgage," she says. "I insist that they take care of the boring financial details first," says Bernard. "Once they know they're qualified for a home loan and know how much they can afford to spend, they're free to focus on the more emotional side of the transaction -- finding the house they love."

5. Research mortgage deals.

Even if you've had your checking account at Stable Mega Bank since your college days, you don't necessarily want to get a mortgage there. Mortgages are very competitive financial products these days and you might not get a better deal at your current bank just because you're already a customer. Realtors usually keep track of reputable mortgage brokers in your area, so be sure to ask your agent for recommendations. And ask if your Realtor is getting any kind of referral fee for the suggestion. In many states, it's illegal for Realtors to do so. Focus on getting the best mortgage interest rates and terms you can. But both Patrick and Bernard recommend steering clear of interest-only loans, which are often suggested to younger buyers. In fact, the National Association of Realtors, or NAR, recently created a publication, "Shopping for a Mortgage? Do Your Homework First," that warns against these kinds of predatory loans. To download a copy, go to www.realtor.org and search for "specialty mortgage." Once you've got your mortgage, don't worry if you get a letter that your loan has been transferred to another financial institution.

"Mortgages are financial commodities that are sold and traded all the time," says Patrick. "The terms of your loan won't change, no matter who buys it."

6. Discuss your timeline.

How long after your wedding you wait before buying a house is a decision that only the two of you can make. Patrick likes the idea of waiting a year after the wedding and giving yourself time to adjust to your new life together. "On the list of life's most stressful events, getting married -- even though it's a happy occasion -- is right up there. So is buying a house. Are you sure you want both of those stressors within your first year together?" he

asks. Patrick also is in favor of sharing a rented or previously purchased home for a while before you commit to a new house together. That way, you have time to decide whether you really can share a sewing room/computer room, how much closet space you need and whether a small kitchen is fine (just one of you cooks) or you need a little more elbow room for the gourmet creations you whip up together. Bernard, the Realtor, disagrees. "In my experience, couples are pretty quickly in synch about what they want in a house -- it doesn't change after they get married," she says. "For instance, you may like to entertain, need room for visiting family members, or not. You know that pretty quickly. Plus, most younger couples buy a different home in three to five years anyway. Their first home is usually not their forever home."

7. Think twice about becoming a landlord.

If one or both of you already owns a condo or home, don't assume you should live in one and rent out the other. Think about it. "Renting out a property is a whole other issue. Most people I've known who have tried to be landlords hated it," says Patrick. Also, not every home or condo makes a good rental property. "If a couple can, I really advise them to start their together space fresh, rather than living in a previously purchased home," Bernard says. "And, in fact, that's what most of my clients end up doing."

By Teri Cettina • Bankrate.com

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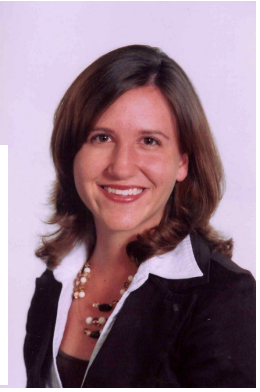

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10 Ways to Take the Trauma Out of Homebuying

1. Find a real estate agent that's simpatico. Homebuying is not only a big financial commitment, but also an emotional one. It's critical that the agent you chose is both skilled and a good fit with your personality.

2. Remember, there's no "right" time to buy, any more than there's a right time to sell. If you find a home now, don't try to second-guess the interest rates or the housing market by waiting. Changes don't usually occur fast enough to make that much difference in price, and a good home won't stay on the market long.

3. Don't ask for too many opinions. It's natural to want reassurance for such a big decision, but too many ideas will make it much harder to make a decision.

4. Accept that no house is ever perfect. Focus in on the things that are most important to you and let the minor ones go.

5. Don't try to be a killer negotiator. Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price may lose you the home you love.

6. Remember your home doesn't exist in a vacuum. Don't get so caught up in the physical aspects of the house itself—room size, kitchen—that you forget such issues as amenities, noise level, etc., that have a big impact on what it's like to live in your new home.

7. Don't wait until you've found a home and made an offer to get approved for a mortgage, investigate insurance availability, and consider a schedule for moving. Presenting an offer contingent on a lot of unresolved issues will make your bid much less attractive to sellers.

8. Factor in maintenance and repair costs in your post-home buying budget. Even if you buy a new home, there will be some costs. Don't leave yourself short and let your home deteriorate.

9. Accept that a little buyer's remorse is inevitable and will probably pass. Buying a home, especially for the first time, is a big commitment, but it also yields big benefits.

10. Choose a home first because you love it; then think about appreciation. While U.S. homes have appreciated an average of 5.4 percent annually over from 1998 to 2002, a home's most important role is as a comfortable, safe place to live.

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Tips for Finding the Perfect Neighborhood

The neighborhood you choose can have a big impact on your lifestyle; safety, available amenities, and convenience all play their part.

- Make a list of the activities—movies, health club, church—you engage in regularly and stores you visit frequently. See how far you would have to travel from each neighborhood you're considering to engaging in your most common activities.
- Check out the school district. The Department of Education in your town can probably provide information on test scores, class size, percentage of students who attend college, and special enrichment programs. If you have school-age children, also consider paying a visit to schools in the neighborhoods you're considering. Even if you don't have children, a house in a good school district will be easier to sell in the future.
- Find out if the neighborhood is safe. Ask the police department for neighborhood crime statistics. Consider not only the number of crimes but also the type—burglaries, armed robberies—and the trend of increasing or decreasing crime. Also, is crime centered in only one part of the neighborhood, such as near a retail area?
- Determine if the neighborhood is economically stable. Check with your local city economic development office to see if income and property values in the neighborhood are stable or rising. What is the percentage of homes to apartments? Apartments don't necessarily diminish value, but they do mean a more transient population. Do you see vacant businesses or homes that have been for sale for months?
- See if you'll make money. Ask a local REALTOR® or call the local REALTOR® association to get information about price appreciation trends in the neighborhood. Although past performance is no guarantee of future results, this information may give you a sense of how good an investment your home will be. A REALTOR® or the government planning agency also may be able to tell you about planned developments or other changes in the neighborhood—like a new school or highway—that might affect value.
- See for yourself. Once you've narrowed your focus to two or three neighborhoods, go there, and walk around. Are homes tidy and well maintained? Are streets quiet? Pick a warm day if you can and chat with people working or playing outside. Are they friendly? Are there children to play with your family?

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Hidden Home Defects to Watch For

No home is flawless, but certain physical problems can be expensive. Watch for:

- **Water leaks:** Look for stains on ceilings and near the baseboards, especially in basements or attics.
- **Shifting foundations:** Look for large cracks along the home's foundation.
- **Drainage:** Look for standing water, either around the foundation of the home of in the yard.
- **Termites:** Look for weakened or grooved wood, especially near ground level.
- **Worn roofs:** Look for broken or missing copings and buckled shingles as well as water spots on ceilings.
- **Inadequate wiring:** Look for antiquated fuse boxes, extension cords (indicating insufficient outlets), and outlets without a place to plug in the grounding prong.
- **Plumbing problems:** Very low water pressure, banging in pipes.

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The Pros and Cons of Condos

Condominiums and townhouses offer an affordable option to single-family homes in most areas. But consider these facts before you buy.

- **Storage:** Some condos have storage lockers, but usually there are no attics or basements to store belongings.
- **Outdoor space:** Yards and outdoor areas are usually smaller in condos, so if you like to garden or entertain outdoors, this may not be a good fit. However, if you hate yard work, this may be the perfect option for you.
- **Amenities:** Many condo properties have swimming pools, fitness centers, and other facilities that would be very expensive in a single-family home.
- **Maintenance:** Many condos have onsite maintenance personnel to care for common areas, do repairs in your unit, and let in workers when you're not home.
- **Security:** Many condos have keyed entries and or even door attendants. Plus, you'll be closer to other people in case of an emergency.
- **Reserve funds and association fees:** Although fees generally help pay for amenities and provide savings for future repairs, you will have to pay the fees agreed to by the condo board, whether or not you're interested in the amenity or not.
- **Resale:** The ease of selling your unit is more dependent on what else is for sale in your building, since units are usually fairly similar. Single-family homes usually are more individual.
- **Freedom:** Although you have a vote, the rules of the condo association can affect your ability to use your property. For example, some condos prohibit home-based businesses. Others prohibit pets. Read the covenants, restrictions, and bylaws of the condo carefully before you make an offer.
- **Proximity:** You're much closer to your neighbors in a condo or townhome. If possible, try to meet your closest prospective neighbors before making a decision.

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Questions to Ask When Choosing a REALTOR®

- How long have you been in residential real estate sales? Is it your full-time job? (While experience is no guarantee of skill, real estate, like many other professions, is mostly learned on the job.)
- What designations do you hold? (Designations, such as GRI and CRS®, which require that real estate professionals take additional, specialized real estate training, are held by only about one-quarter of real estate practitioners.)
- How many homes did you and your company sell last year?
- How many days did it take you to sell the average home? How did that compare to the overall market?
- How close to the initial asking prices of the homes you sold were the final sale prices?
- What types of specific marketing systems and approaches will you use to sell my home? (Look for someone who has aggressive, innovative approaches, not just someone who's going to put a sign in the yard and hope for the best.)
- Will you represent me exclusively, or will you represent both the buyer and the seller in the transaction? (While it's usually legal to represent both parties in a transaction, it's important to understand where the practitioner's obligations lie. A good practitioner will explain the agency relationship to you and describe the rights of each party. It's also possible to insist that the practitioner represent you exclusively.)
- Can you recommend service providers who can assist me in obtaining a mortgage, making repairs on my home, and other things I need done? (Keep in mind here that real estate professionals should generally recommend more than one provider and should tell you if they receive any compensation from any provider.)
- What type of support and supervision does your brokerage office provide to you? (Having resources, such as in-house support staff, access to a real estate attorney, or assistance with technology, can help a real estate professional sell your home.)
- What's your business philosophy? (While there's no right answer to this question, the response will help you assess what's important to the real estate practitione-fast sales, service, etc.-and determine how closely the practitioner's goals and business emphasis mesh with your own.)
- How will you keep me informed about the progress of my transaction? How frequently? Using what media? (Again, this is not a question with a correct answer, but that one reflects your desires. Do you want updates twice a week or don't want to be bothered unless there's a hot prospect? Do you prefer phone, e-mail, or a personal visit?)
- Could you please give me the names and phone numbers of your three most recent clients?

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8 Ways to Improve Your Credit

Credit scores, along with your overall income and debt, are a big factor in determining if you'll qualify for a loan and what loan terms you'll be able to qualify for.

1. Check for and correct errors in your credit report. Mistakes happen, and you could be paying for someone else's poor financial management.

2. Pay down credit card bills. If possible, pay off the entire balance every month. However, transferring credit card debt from one card to another could lower your score.

3. Don't charge your credit cards to the maximum limit.

4. Wait 12 months after credit difficulties to apply for a mortgage. You're penalized less for problems after a year.

5. Don't purchase big-ticket items for your new home on credit cards until after the loan is approved. The amounts will add to your debt.

6. Don't open new credit card accounts before applying for a mortgage. Having too much available credit can lower your score.

7. Shop for mortgage rates all at once. Too many credit applications can lower your score, but multiple inquiries from the same type of lender are counted as one inquiry if submitted over a short period of time.

8. Avoid finance companies. Even if you pay the loan on time, the interest is high and it will probably be considered a sign of poor credit management.

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Choices That Will Affect Your Loan

1. Mortgage term.

Mortgages are generally available at 15-, 20-, or 30-year terms. The longer the term, the lower the monthly payment if the same amount is borrowed. However, you pay more interest overall if you borrow for a longer term.

2. Fixed or adjustable interest rates.

A fixed rate allows you to lock in a low rate for as long as you hold the mortgage and is usually a good choice if interest rates are low. An adjustable-rate mortgage (ARM) is designed so that interest rates will rise as interest rates increase; however they usually offer a lower rate in the first years of the mortgage. ARMs also usually have a limit as to how much the interest rate can be increased and how frequently they can be raised. ARMs are a good choice when interest rates are high or when you expect your income to grow significantly in the coming years.

3. Balloon mortgages.

Balloon mortgages offer very low interest rates for a short period of time, often three to seven years. Payments usually cover only the interest, so the principal owed is not reduced. However, this type of loan may be a good choice if you think you will sell your home in a few years.

4. Government-backed loans.

Government-backed loans, sponsored by agencies such as the Federal Housing Administration (www.fha.gov) or the U.S. Department of Veterans Affairs (www.va.gov), offer special terms, including lower downpayments or reduced interest rates to qualified buyers.

Slight variations in interest rates, loan amounts, and terms can significantly affect your monthly payment.
For help in determining how much your monthly payment will be for various loan amounts,
use Fannie Mae's online mortgage calculators at
http://www.fanniemae.com/homebuyers/calculators/index.jhtml?p=Resources&s=Calculators

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10 Questions to Ask a Home Inspector

1. What are your qualifications? Are you a member of the American Association of Home Inspectors?

2. Do you have a current license? Inspectors are not required to be licensed in every state.

3. How many inspections of properties such as this do you do each year?

4. Do you have a list of past clients I can contact?

5. Do you carry professional errors and omission insurance? May I have a copy of the policy?

6. Do you provide any guarantees of your work?

7. What specifically will the inspection cover?

8. What type of report will I receive after the inspection?

9. How long will the inspection take and how long will it take to receive the report?

10. How much will the inspection cost?

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5 Property Tax Questions You Need to Ask

1. What is the assessed value of the property? Note that assessed value is generally less than market value. Ask to see a recent copy of the seller's tax bill to help you determine this information.

2. How often are properties reassessed and when was the last reassessment done? Generally taxes jump most significantly when a property is reassessed.

3. Will the sale of the property trigger a tax increase? Often the assessed value of the property may increase based on the amount you pay for the property. And in some areas, such as California, taxes may be frozen until resale.

4. Is the amount of taxes paid comparable to other properties in the area? If not, it might be possible to appeal the tax assessment and lower the rate?

5. Does the current tax bill reflect any special exemptions that you might not qualify for? For example, many tax districts offer reductions to those 65 or over.

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10 Ways to Lower Your Homeowner's Insurance Costs

1. Raise your deductible.
If you can afford to pay more toward a loss that occurs, your premiums will be lower.

2. Buy your homeowners and auto policies from the same company.
You'll usually qualify for a discount. But make sure that the savings really yields the lowest price.

3. Make your home less susceptible to damage.
Keep roofs and drains in good repair. Retrofit your house to protect against natural disasters common to your area.

4. Keep your home safer.
Install smoke detectors, burglar alarms, and dead-bolt locks. All of these will usually qualify for a discount.

5. Be sure you insure your house for the correct amount.
Remember, you're covering replacement cost, not market value.

6. Ask about other discounts.
For example, retirees who are home more than working people may qualify for a discount on theft insurance.

7. Stay with the same insurer.
Especially in today's tight insurance market, your current vendor is more likely to give you a good price.

8. See if you belong to any groups
—associations, alumni groups—that offer lower insurance rates.

9. Review your policy limits and the value of your home and possessions annually.
Some items depreciate and may not need as much coverage.

10. See if there's a government-backed insurance plan.
In some high-risk areas, such as the coasts, federal or state governments may back plans to lower rates. Ask your agent.

Megan's Message

Congratulations on entering this new and exciting phase of your life! I hope that the information I have shared has helped you decide whether you are ready to say "I Do" to the commitment of owning your own home. This purchase is not just a transaction, but a significant event in your life, and you deserve the assistance of a real estate professional who understands your unique circumstances. I will be with you every step of the way, and backed by Semonin Realtors' Satisfaction Guarantee, ensure your experience is everything buying a home for the first time should be. My clients are eligible for a ***FREE***, no obligation consultation with Semonin's financial advisors, who can evaluate your investment options and develop a strategy to make home ownership part of your future. I will work with you to determine your needs, find a home you can truly afford, and continue to follow up with you even after closing.

You will be creating some wonderful memories in the next year. If you are ready to do so while enjoying your new home, please contact me to set up a buyer's counseling meeting so we can begin your search.

Best wishes in all your future endeavors!

Sincerely,
Megan Nickoloff

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