



9 Ways to Save

9 Ways to Save Money When You Buy Your House

1. Knowing when to buy your house

Experts would say now, if you meet the following criteria:

- You are not counting on price appreciation in the short term. Most experts don't expect home prices to inflate much in the next couple of years.
- You can afford the monthly payments.
- You plan to stay in the house long enough for the appreciation to cover your transaction costs. The costs of buying and selling a home include real estate commissions, lender fees and closing costs that can amount to more than 10% of the sales price.
- You need a tax break. The mortgage interest deduction can make home ownership very appealing.
- You prefer to be an owner rather than a renter.
- You can handle the maintenance expenses and headaches.
- You are not greatly concerned by dips in home values.

2. Knowing how to figure what you can afford to buy.

Roughly, it's three times your annual income. Real estate experts strongly recommend people get pre-qualified by a lender as a way of calculating exactly how much of a home they can afford. When qualifying people for a loan, lenders look at a borrower's full financial standing. Lenders use the relationship P1TI, or principal, interest, taxes and insurance payments, and their gross monthly income. Generally, lenders like to see the PITI not exceed 30% to 33% of the borrower's gross monthly income. They also consider the ratio of the borrower's monthly debt payments, including the PITI to income. Some lenders have flexibility in these qualifying ratios.

3. Knowing if it is better to make a large or small down payment

Putting down as little as possible and taking a larger mortgage allows buyers to take full advantage of the tax benefits of homeownership. Mortgage interest and property taxes are fully deductible from state and federal income taxes.

4. Knowing if you can buy a house with nothing down

Although some experts advise against it, home buyers interested in buying a house with nothing down can do so. But it's not easy finding these loans and in some cases they can be risky. Occasionally, a builder will offer nothing-down loans to induce sales in an otherwise slow-moving project. Desperate sellers also may agree to finance the full purchase price to get out from under a property.

5. Knowing what the standard contingencies in a purchase offer are

Most real estate purchase contracts include at least two contingencies. A financing contingency makes the purchase conditional on the buyers' ability to obtain a loan commitment from a lender. An inspection contingency allows the buyers to have professionals inspect the property to their satisfaction.



6. Knowing if you can get a home loan with bad credit

A poor credit history makes it harder to qualify for a mortgage. There are numerous types of credit report problems that cause a lender to reject a loan application, says Ilyce R. Glink in [100 Questions Every First-Time Home Buyer Should Ask](#), "If you've ever missed a credit card payment, or defaulted on a prior mortgage or school or car loan, it will probably show up on your credit report. If you've filed for bankruptcy within the past seven years, that will show up on your credit report. If you haven't paid your taxes, or there has been a judgment filed against you (perhaps for non-payment of spousal or child support), it will also show up. Failure to pay your landlord, doctor or hospital may turn into a black spot on your credit report.

7. Knowing how you can find out what your credit report says about you

Anyone concerned about their credit history can order a copy of their own report by calling the three main national credit reporting agencies: Equifax (800) 685-1111; TRW (800)392-1122 or Trans Union (317) 408-1050.

8. Knowing if sellers will consider only offers close to, or at, full price

"While a very low offer in a normal market might be rejected immediately, in a buyer's market the below-market offer will usually either be accepted or generate a counteroffer. When few offers are being made, an outright rejection of offers becomes unlikely," writes William H. Pivar, in [Real Estate Investing From A to Z](#). Additionally, he notes, "There are always some sellers who for some reason must sell quickly" and will consider a reduced price. Additional considerations include:

- Is the offer contingent upon anything such as the sale of the buyer's current house?
- If the offer made on the house "as is," or does the buyer want the seller to make some repairs before close of escrow?
- Is the offer all cash? A cash offer at less than the asking price may be more attractive to the seller than a full-price offer with a financing contingency.

9. Knowing how to find a good real estate agent

Here are some tips for finding an agent suggested by author Dian Hymer:

"The best sources of contacts are friends or associates who have bought or sold recently and can recommend agents. Be sure to ask your colleagues if they would use the agent again. "If personal contacts don't generate enough leads, call the managers of reputable local real estate companies and ask for recommendations of agents who specialize in your neighborhood if you're selling. Find out if the agent works full time at real estate and how much experience the agent has."