



Homebuyer's Tips

Tom Corbett, Governor
Brian A. Hudson, Sr., Executive Director

The Pennsylvania Housing Finance Agency takes great pride in helping Commonwealth citizens become homeowners. The information we provide in our various publications, through our counseling network, at participating lending institutions, and on our Web site is designed to take a little of the mystery out of what can sometimes be a complicated process. Good luck with your efforts.

Brian A. Hudson, Sr.
*PHFA Executive Director
& Chief Executive Officer*



Tips About Buying a Home

Owning a home of your own is one of the most financially rewarding things you can do, but actually *buying* that home can be one of life's most confusing and frustrating experiences. Proper planning will take the sting out of the process. The information contained in this brochure offers a bit of general guidance that might help make the task a little easier.

Correct any outstanding credit issues. Bad credit prevents more people from buying houses than anything else. Make sure your credit is good before starting the process. Pay all your bills on time, clean up any discrepancies, and establish a relationship with a lender who will offer guidance about savings, debts, and credit. Your risk of becoming a victim of predatory lending decreases dramatically if you have good credit at the time you try to buy a house.

Determine how much house you can afford. The actual amount you can borrow varies depending on interest rates but, as a rule, you can multiply your annual income by about two-and-a-half or three times to give yourself an idea of the maximum mortgage debt you can support. The difference between the price of the house and the mortgage loan is the amount of down-payment you will need to make. (Don't forget,

many loan programs require minimum down-payments.)

Calculate your maximum monthly mortgage payment. Mortgage payments cover not only principal and interest on the loan, they usually also include a portion for property taxes, mortgage insurance, and homeowner's insurance. For average buyers, the total of Principal, Interest, Taxes, and Insurance (PITI) shouldn't be more than about 30 percent of gross monthly income. For example, if you earn \$2,000 a month, your mortgage payment (PITI) shouldn't be more than \$600. In some cases, mortgage payments may actually be less than paying rent.

Get information about homes and home buying. Knowledge is power, so learn as much as you can. Local libraries, bookstores, the Internet, newspapers, community colleges, and realty firms can provide good, valuable information you can use to help you buy a house. Learn the terminology; find out what unfamiliar terms mean. PHFA also operates an extensive homeownership counseling network across the Commonwealth. The service is free to those eligible for Agency-issued mortgage loans. All of this will help you avoid predatory lending traps.

Work with professionals. Most Americans deal with real estate agents when buying homes because these professionals know the market, have expertise in the business, and can provide a wealth of information otherwise unavailable. Take advantage of this experience to organize your home search. Explain to that person what you're looking for, your financial status, what compromises you're willing to make in your housing choice, and any other particulars that will provide a clear picture of your needs, hopes, and desires. Ask what programs you would be eligible for.



Expect setbacks. There is no such thing as a professional home buyer, so you will probably make a few mistakes along the way. You are likely to miss some good deals, look at the wrong neighborhood, lose out on a bid for the house you really wanted, or find out that the dream cottage you like is in a major flood plain. Don't dwell on such things. Learn from them. The biggest mistake you can make is rushing too fast into a deal that sounded too good to be true. It probably was, and you could end up a lot poorer because of it. Remember, the goal is to buy a house that is right for you in terms of condition, affordability, location, present value, and re-sale potential.

Home inspections can prevent trouble. A home inspection can alert you to plumbing problems, leaky roofs, mold, insect infestation, bad insulation, or any number of shortcomings that can cause problems and force unexpected expenses. No house is perfect so become aware of its condition before purchase.

Keep it simple. Plan to buy an ordinary house, not an experiment. Do not try to turn an old filling station into your home, no matter how charming or well situated. When it comes to getting a mortgage loan, explore several options, but remember that the money you are paying for the property will more than likely be used by the seller to buy another place, so don't get too creative with your financing schemes. Simplicity, safety, and security are key factors to success when buying your first house.

You're in it for the long haul. Remember, the home you purchase will be the biggest investment you'll probably ever make, so don't rush to make a mistake. Once you've become the owner, you are responsible for the fiscal and physical upkeep of the home, just as you will be the beneficiary of the income tax breaks the property will provide, its appreciation in value, and your increasing wealth. Take your time, learn the facts, and make an informed choice.

STEP-BY-STEP HOMEBUYING PROCEDURE GUIDE

1. Have or build good credit (may need to see a credit counselor).
2. Determine how much mortgage debt you can carry (2½ to 3 times annual salary as a rule).
3. Figure out monthly mortgage maximum (about 30 percent of gross income).
4. Learn about buying a house (library, internet, bookstore, local school, or community college).
5. Look for homes you can afford (usually with real estate professional).
6. Determine financing options and mortgage loan procedures (lender will help).
7. Make an offer on the home you want to buy (may require negotiations).
8. Once accepted, pay earnest money to seller, arrange closing (settlement) with seller through real estate agent, attorney, etc.
9. Close on the deal.
10. Turn the house into a home, make monthly mortgage payments.

For more information about financing a home of your own (including the names and phone numbers of participating lending institutions), call the PHFA toll-free mortgage hotline, 1.800.822.1174, or visit the PHFA Web site, www.phfa.org.



PHFA

PENNSYLVANIA HOUSING FINANCE AGENCY

211 North Front Street
Harrisburg, PA 17101

1.800.822.1174

TTY 717.780.1869

www.phfa.org



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The Pennsylvania Housing Finance Agency is committed to the policy that all persons shall have equal access to its housing programs and employment without regard to age, disability, family status, gender, national origin, political affiliation, race, or religion.

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