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First-Time Home Buyers – Where to Start?

Some of your friends are starting to buy their first homes. You've got a good steady job, you've been paying rent for a few years, you've built up some savings for a down payment, so you've decided it's time to "take the plunge" and buy a home of your own. It makes lots of sense--instead of paying rent, you will be building equity in a home you own. "The American Dream"! Now....where do you start?

Before you begin house hunting, the first thing you need to do is get your financial house in order. Set up a meeting with a loan officer from a bank, mortgage company, or credit union. The loan officer will want information from you regarding income, assets, and debts (don't forget about those student loans). After reviewing your credit score, the loan officer will be able to give you an idea of how much you are qualified to borrow and the type of loan programs that are available for first-time home buyers – and there are several favorable loan programs. The loan officer will provide you with a Pre-Qualification or Pre-Approval letter, which you will need in conjunction with submitting an offer to purchase a home, which will be discussed further below.

Once you know how much you can afford to borrow, and how much cash you have to contribute to the purchase price, then you can determine the price range of homes you should be looking to purchase. Sometimes the conclusion is a bit of a disappointment because you may have set your sights higher, but these numbers don't lie. You then need to perform a second layer of financial analysis, which is, how much do you want to borrow? Do you want to be married to your home? By that I mean, you may be qualified to borrow a maximum of \$250,000, but if you borrow at or near the maximum you are qualified to borrow, will you have any money left over for things like going out to dinner, entertainment, and vacations? What if you have to replace a car in the next few years? Therefore, you may not want to over-extend yourself by buying the most expensive house you can "afford". Financial stress can lead to sleepless nights, and is one of the leading causes of divorce--one of the other areas of law in which I practice.

Once you have completed the above, then you are prepared to begin the exciting process of house hunting, knowing that you have your “ducks in a row” and are ready to make an offer when you find the house of your dreams. With all the information available on the internet about homes for sale through such websites as Zillow, many first-time home buyers spend most of their waking hours continually scouring the internet for a home to purchase. Upon finding a home they want to pursue, many first-time home buyers call the realtor who is listing the home, only to find out that house recently went under contract. In this very competitive real estate market, where good homes are quickly swept up, a first-time home buyer should seriously consider utilizing the services of a buyer’s real estate agent. A buyer’s agent not only knows the market, but also will be on the lookout for homes that fit within the parameters of what you want and can afford. In almost all cases, your agent will be paid by the seller as part of a “co-brokerage” with the listing agent, so it does not cost you anything to enlist the services of an agent who is acting on your behalf. That being said, it is permissible if your agent is also the listing agent, and/or if both agents are from the same real estate agency. It may not be advisable to try and “go it alone”, especially with the low inventories which exist in the current real estate market; good homes are not on the market for long.

You’ve found the home you’ve been waiting for and are ready to “make an offer”, which entails submitting a contract to the seller. Your real estate agent can assist you with this, however, once a contract is fully executed, it is binding. Therefore, you should engage the services of an attorney to review the contract before you submit your offer, or you should have your agent include an Attorney Approval Rider to the contract, which allows time (usually a day or two) for you to have the contract reviewed and approved by your attorney. At Kahan, Kerensky & Capossela, we have six lawyers who practice residential real estate, so there will always be someone available who can review your contract within a short period of time. The contracts used by realtors are “fill in the blank”, however, don’t let that fool you into thinking that all contracts are the same; how those blanks are filled in, especially the numerous contingencies which are there to protect a buyer, can make a big difference.

The next two hurdles are the home inspections and receipt of a mortgage commitment letter from your lender. A Pre-Qualification or Pre-Approval letter is not a commitment letter. In most cases, your attorney at Kahan, Kerensky & Capossela will be able to represent both you and your mortgage lender, which saves you money by only paying for the services of one attorney. At Kahan Kerensky & Capossela, we have been representing buyers and sellers of residential real estate for over 50 years, and we would be happy to help you, your family member, or friend, navigate through the maze of buying a home, especially first-time home buyers, for whom it is all brand new and who are likely to have a lot of questions.

Attorney Douglas K. Manion is a partner at Kahan, Kerensky & Capossela and has handled thousands of real estate closings throughout his 35-year career. In addition to real estate, Attorney Manion also practices in the areas of divorce/family law, criminal defense, and estate planning. If you have a question, or need legal assistance in any of these areas, please contact Attorney Manion at 860-812-1762 or dmanion@kkc-law.com.