



REAL ESTATE

DEMYSTIFYING HOMEBUYING FOR MILLENNIALS AND GEN Z

By Emma Gubler

The housing market can be pretty intimidating for Millennials and Gen Z. Home values are extremely high and it can be hard to know how to buy your first home. Here are some tips to help you know where to start.

Loan Qualification: *Don't assume that you are not qualified* if you haven't talked to a lender. You may be more qualified to buy a home than you think. Applying for a loan or getting pre-approved is free, easy, and does not commit you to anything. Many mortgage lenders offer easy online loan applications. Our clients have great experiences working with Charles Green and his team at Security Home Mortgage (applywithcharles.com). Getting pre-approved also tells you exactly how much you are qualified to spend on a home.

Limited Financial Obligation: Buyers have very few financial obligations until closing. In most cases a real estate agent works for free until closing when their fee is paid from the sales price of the home (i.e. you do not have pay them out of pocket). Leading up to closing, your only costs should be earnest money (essentially a deposit to show a seller that you are serious about purchasing), an appraisal, and a home inspection. In most cases your earnest money will be refundable until the expiration of the due diligence deadline, allowing you to back out if there are any problems. Otherwise, the earnest money goes toward the final purchase of the home. Your agent can help walk you through the process to keep you and your earnest money safe.

Agent Role: We recommend that you start the home buying process by calling an agent, although you can begin working with an agent at any time. Agents can send you properties to consider, give advice, share their network of industry professionals to gather information, and generally walk you through the process as you prepare to buy a home. If you're uncertain about your ability to qualify for a loan or have questions about any part of the homebuying process, a good real estate agent can advise you and help you come up with a plan. Additionally, once you are working with a reputable agent at a good brokerage, they may know of upcoming listings before they are made public, giving you an opportunity to get an offer on a property early. If you don't like your agent, you do not need to continue working with them. We are happy to answer questions about this.

Your Credit: Having a good credit score makes it easier to get approved for a loan and can also influence your interest rate. Build credit far in advance by using a credit card for groceries or gas and paying it off completely every month. If you have more questions about credit and how to build or repair it, we would be happy to recommend resources.

Understand Down Payment Options: In the past, a 20% down payment has been the preferred standard when buying a home. The benefit of a 20% down payment is that you are able to avoid paying for private mortgage insurance. But if you don't have enough savings for a 20% down payment, there are a number of programs that allow you to buy a home with a smaller down payment, especially if you have good credit. First-time homebuyer programs often offer downpayment assistance. Instead of saving money for a down payment, the best practice today is to buy a home as soon as possible to gain equity as the property gains in value. You can not save money fast enough to keep up with the increasing value of homes.

Understand Closing Costs: Closing costs usually run at about 3-6% of the purchase price and include things like title fees, escrow fees, loan origination, underwriting fees, processing fees, wire fees, and appraisal fees. First-time homebuyer programs may offer assistance in paying closing costs. Lenders and title companies should send you an itemized list of what the closing costs will be in advance of closing. This is something that you can evaluate after you have a home under contract.

Start Small: While a house might be the ultimate dream, starting with a smaller condo or townhouse purchase allows you to stop paying a landlord and build equity in your own property. After a few years you may be in a better position to purchase a step-up home. Buying now has many financial benefits including but not limited to: mortgage interest tax write off for owning a home, saving money by paying off the mortgage, and increase in property value over time to help you to build equity. If you live in the property for two years and then sell the property all profit is tax free up to \$250,000 for an individual and \$500,000 for a married couple filing taxes jointly.

Don't be Scared of Writing Offers: Sometimes buyers feel like writing an offer is a big deal and a huge commitment. Actually, writing an offer is similar to going on a first date. You are saying that you are interested but there is a lot you need to learn before making a final decision. Your due diligence period (usually the first week to three weeks of the contract period) will allow you to ensure that the home is in good condition, that the home meets your specific needs, that you are financially qualified, and that the home title is clean.

If you have additional questions we missed in this article or want to learn more, please call or text Todd Gubler, our principal broker, at (801) 494-9911. We are happy to answer questions and help you succeed.