# Home Buying - Getting Started

**How do I know if I'm ready to buy a home?**

You can find out by asking yourself some questions:

- Do I have a steady source of income (usually a job)? Have I been employed on a regular basis for the last 2-3 years? Is my current income reliable?
- Do I have a good record of paying my bills?
- Do I have few outstanding long-term debts, like car payments?
- Do I have money saved for a down payment?
- Do I have the ability to pay a mortgage every month, plus additional costs?

If you can answer "yes" to these questions, you are probably ready to buy your own home.

**How do I begin the process of buying a new home?**

Start by thinking about your situation. Are you ready to buy a home? How much can you afford in a monthly mortgage payment (see Question 4 for help)? How much space do you need? What areas of town do you like? After you answer these questions, make a "To Do" list and start doing casual research. Talk to friends and family, drive through neighborhoods, and look in the "Homes" section of the newspaper.

**How does purchasing a home compare with renting?**

The two don't really compare at all. The one advantage of renting is being generally free of most maintenance responsibilities. But by renting, you lose the chance to build equity, take advantage of tax benefits, and protect yourself against rent increases. Also, you may not be free to decorate without permission and may be at the mercy of the landlord for housing.

Owning a home has many benefits. When you make a mortgage payment, you are building equity. And that's an investment. Owning a home also qualifies you for tax breaks that assist you in dealing with your new financial responsibilities - like insurance, real estate taxes, and upkeep - which can be substantial. But given the freedom, stability, and security of owning your own home, they are worth it.

**How does the lender decide the maximum loan amount that can afford?**

The lender considers your debt-to-income ratio, which is a comparison of your gross (pre-tax) income to housing and non-housing expenses. Non-housing expenses include such long-term debts as car or student loan payments, alimony, or child support. According to the Fannie Mae, monthly mortgage payments should be no more than 28% of gross income, while the mortgage payment, combined with non-housing expenses, should total no more than 37%% of income. The lender also considers cash available for down payment and closing costs, credit history, etc. when determining your maximum loan amount.

**How do I Select the right real estate agent?**

Start by asking family and friends if they can recommend an agent. Compile a list of several agents and talk to each before choosing one. Look for an agent who listens well and understands your needs, and whose judgment you trust. The ideal agent knows the local area well and has resources and contacts to help you in your search. Overall, you want to choose an agent that makes you feel comfortable and can provide all the knowledge and services you need.

**How can I determine my housing needs before I begin the search?**

Your home should fit way you live, with spaces and features that appeal to the whole family. Before you begin looking at homes, make a list of your priorities - things like location and size. Should the house be close to certain schools? your job? to public transportation? How large should the house be? What type of lot do you prefer? What kinds of amenities are you looking for? Establish a set of minimum requirements and a 'wish list." Minimum requirements are things that a house must have for you to consider it, while a "wish list" covers things that you'd like to have but aren't essential.