Open House: Buying your first house

by Jim_Woodard

First-time home buyers are having an increasingly tough time acquiring their first dream home. Prices continue to slowly increase along with mortgage interest rates, and lenders are more pickier about qualification requirements.

However, those young first-timers seem to be more determined than ever to find a way to purchase a home - perhaps even more determined than their parents a generation earlier.

To help first-timers during this active summer home buying season, some timely suggestions were offered by Freddie Mac, a major government-sponsored buyer of existing home mortgages. Here's a summary of their tips:

While preparing for your home purchase, take steps to improve your credit rating and score. This will have a major impact on your ability to obtain a mortgage at the best rate and terms. It will even affect the pricing of your homeowners' insurance.

Establish a home buying budget. Many lenders or housing agencies provide helpful worksheets to assist buyers in determining how much they can afford. You need to factor in items like down payments, closing costs and moving expenses.

Pre-qualify yourself for a home mortgage. Before looking at homes, contact one or more lenders and become pre-qualified for a loan. Lenders will consider your 4 Cs - capacity, credit, capital and collateral - in determining your qualification capabilities.

Capacity is your ability to repay a loan based on your income and work history. Credit means your history of repaying loans and paying your bills and other obligations. Capital is your wealth in terms of the property or money you have now. Collateral is any property you own that is acceptable as security on a loan.

Take plenty of time in looking for the right home. Consider its proximity to work, school, religious institutions, shopping, hospitals and parks. Also, think about the type of home that would best serve your needs - single-family home, condo, etc.

After you make an offer on a home, and it's accepted, you will need to make a formal mortgage application. There are many types of mortgage plans available to home buyers in today's market. Work with a mortgage

professional and be sure you understand all the terms of your selected loan before signing any documents.

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Q: What's new in the design of condos?

A: Many first-time buyers select a condominium or townhome for the first residence they own. There are a great variety of condo types available today, from comparatively low priced units to large luxury condos and "special niche" developments.

In fact, recently developed condos have been design specifically for men or women buyers.

"For too long, condos have been designed with a one-size-fits-all mentality," said Alexander Edelstein, chief executive officer of Gemstone Development, a firm building a condo development in the Las Vegas area. "That's not how the rest of the world designs products. More and more condos are purchased by single men and single women. We've designed special condos to provide uniquely appealing residences for these individual market niches."

Women are one of the fastest-growing buyer demographics for condos. Some condo developers are targeting this market when designing new projects. They provide special amenities and speak to the precise needs of women.

For example, they may include jetted bathtubs with "temperature hold." These are tubs that automatically maintain the water temperature for the full length of the bath. These condos also offer electrical sockets in the back of the vanity drawer, allowing for hairdryers and other appliances to stay plugged in but are easily stored out of sight.

They provide magnified makeup mirrors with day-night lighting. And, of course, they feature large closets with organizer systems - lots of space for shoe storage.

For men, condos now include ceiling-mounted high-definition television projectors, delivering eight to ten foot pictures and surround sound speaker systems. Some include stylish wet bars.

Q: What's better - a fixed-rate or variable-rate mortgage?

A: When shopping for financing of a newly purchased home, your best bet in today's market is a fixed-rate mortgage, according to report carried in the Wall Street Journal.

The average interest rate on an adjustable-rate mortgage that is fixed for five years before the rate resets (a hybrid mortgage) is now about 6.52 percent - only slightly lower than the current 30-year fixed mortgage, the report noted.

For homeowners now facing a pending rate adjustment on their ARMs, the pain in increased payments could get worse quickly. On ARMs that are now readjusting, experts say rates are set to hit between 7.25 and 7.5 percent on many loans. That will hurt homeowners who took out mortgages three years ago when the initial interest rate was 4.5 percent.

For those homeowners, pending payments on a $250,000 mortgage could rise by nearly $450 per month, the WSJ report said.

Q: What is the so-called "concept home" all about?

A. The first "concept home" featuring 60 different efficient, sustainable and flexible products and systems all in one affordable home has been completed - a project sponsored by the Department of Housing and Urban Development.

It's called the PATH Concept Home - PATH standing for partnership for advancing technology in housing. This is a public-private partnership between the U.S. government and America's housing industry working together to advance the use of state-of-the-art technology in housing throughout the country.

"With this project, HUD has created a blueprint for the future of the American Dream by using innovative housing technologies that support our goals for future affordable homes," said a HUD spokesman.

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