



# What to know when purchasing real estate

By Jacob Yadegar

With most Americans realizing the benefits of home ownership, new and used home sales have hit historic highs throughout the country. Home ownership used to be primarily purchased for enjoyment and improved lifestyle and while that is still the case, there are many other advantages such as reduced taxes, asset appreciation and equity build up that are now significant driving forces.

With the severe losses sustained in the stock market and dramatically lower interest rates, real estate prices have risen substantially. As a result, individual net worth has increased and more and more people are looking to achieve the dream of owning their own home.

When deciding to buy real estate, it's very important to make sure a few simple steps are taken to enhance the experience and level of success. First and foremost, consult with your financial advisor or mortgage lender/broker to get an understanding of the various loan options, monthly payments and expenses associated with your purchase. Too many people make the mistake of looking for a property first and by the time they get around to putting all the details together, realize that the property they want to buy is too expensive to maintain on a monthly basis. Keep in mind that in addition to your standard mortgage payments, you have property taxes which in California are calculated at 1.25% of the purchase price of the home, and Homeowners insurance to protect against fire and loss. If purchasing a condo, you will also have HOA dues which will also cover your homeowners insurance.

Deciding which type of loan is best for you is a complicated one. There are standard mortgages that most are aware of like the 30 yr fixed and the 15 yr fixed but other products have become very popular since most people don't hold their loans for these lengths of time. Straight adjustable rates or short term fixed rates like the 5 and 7 yr fixed have gained in popularity because they offer lower rates and allow a buyer to qualify for a larger mortgage and/or lower monthly payments.

A good mortgage consultant can educate you on the various programs available and calculate for you not only the payments but other costs associated with your new purchase. Be sure to get at least two opinions from two different sides of the industry in order to best explore all your options. Best way is to get one from your bank and one from a mortgage broker because not all lenders offer all products.

Once you have been educated on the loan options and payments associate with various programs and price points, you should look for the right real estate broker to assist you with the marketplace and finding the right home. Begin with looking in local papers for brokers that are in the geographic location of the home you wish to purchase. Local brokers often times have access to listings and homes that are not openly published to the public, giving you access to a larger pool of prospective properties. Interview the broker and ask general questions to gage the broker's knowledge of the area and the industry. The single most important aspect of your broker should be integrity. Make sure you feel comfortable with your broker because you will be spending a great deal of time with him or her and you will need to rely on the broker for input about not only the home you are looking at but also how it is priced compared to other homes in the area. A knowledgeable broker can point out minor issues that may have a major effect on the actual value of a home such as traffic issues at certain times of day, hours of sunlight on one side of the street vs. the other, corner lots vs. inside lots etc. Small factors like these may have a significant effect on the value of a home. Just because a home has a certain listing price it does not mean that that price is justified.

Once you have selected the right home, the right home inspection is critical. Most brokers will provide you with names of several home inspection companies that they use on a regular basis. Check around to make sure you have a reputable company. Thoroughness and expertise in the home inspection are critical because the home inspection will point out possible problems the home has that are not apparent to the human eye and deliver a written report to you for review.

Happy house hunting and enjoy the new home in good health!

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