



Consumer Tips from Your Community Banker (June 2013)

Home Buying 101

With a generally improved employment picture and continuing low mortgage interest rates, more Wisconsinites are considering buying a home this year. Whether you have your eye on a starter home or a new construction, planning ahead can help ensure you're happy with your new abode after move-in day.

Maybe you've been planning for a while and are clear about what you want. In any case, be sure to consider whether you want to live close to your job or particular schools, the size of the ideal yard, your desire for a garage, the number of rooms, and the composition of the neighborhood— young families, retired couples, or a mixed group?

You can also benefit from identifying your lender, such as a community bank. Consider whether it's important to have a good relationship with a local banker if questions arise down the road. Ask friends and relatives for their recommendations.

A lender will pre-qualify you for a loan of a certain amount, which can help narrow your house search. Based on your credit report, income, and assets, a lender can also provide pre-approval, guaranteeing a loan up to a certain amount and shortening the mortgage application process.

You can then contact a real estate who is a buyer's broker and will help identify potential properties that fit your needs. You can also look at properties yourself and then contact the seller's realtor on your own, but beware that this agent is working in the interests of the seller.

When you're ready to make an offer, your buyer's broker can help you draft the offer to purchase. You may want to include various contingencies, such as specific repairs or a home inspection to prevent any maintenance issues or other unwelcome surprises later.

After you reach a deal with the seller, your lender can help you decide which type of mortgage is best for you—for example, a fixed rate mortgage where the monthly interest and principle payment remains the same for the life of the loan or an adjustable rate mortgage (ARM) where the lender may increase the interest rate over time. Your lender can also help you apply for government loans, such as FHA, VA, or WHEDA (Wisconsin Housing and Economic Development Authority) loans.

The last stage of home buying is the closing, when you sign the mortgage note and related paperwork. Ask about any item you do not clearly understand. If you are unhappy with any part of the transaction, several regulations including the Real Estate Settlement Procedures Act are designed to help resolve problems. Begin by contacting your lender. Other resources are the Wisconsin Department of Financial Institutions and the U.S. Department of Housing and Urban Development (HUD); phone: 1-800-669-9777.

These tips are largely from "Buying a Home," a brochure published by the Wisconsin Department of Financial Institutions. Read it by following the Financing brochure link on this web page: www.wdfi.org/ymm/brochures/default.htm.