



Sneaky Expenses First Time Homebuyers Often Overlook

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First time homebuyers are often seen as frivolous buyers that base their home buying decisions solely on emotions. While this may be true for some, this cliché need not apply to you.

By doing your research and talking with the pros, you'll be able to prevent overlooking sneaky expenses. And, ***you'll be well on your path to being a financially prepared and educated homeowner.***

If you're new to the home buying process, be ready for these expenses:

- 1. Maintenance costs.** Most first time homebuyers naively underestimate the cost of maintaining their beautiful home. Budgeting for maintenance costs is necessary. ***Firstly, because you must be able to pay for emergency costs promptly if they occur.*** And secondly, to maintain your home's value.
 - Home ownership is an unpredictable ride. In fact, ***the only thing that is certain about home ownership is that you'll have a mortgage payment due each month.*** What will you do if your furnace is nearing its life expectancy, your home's water main bursts or you need to hire a pro to replace shingles? Budget accordingly for these expenses in order to avoid financial pitfalls.
 - According to Coldwell Banker, ***homeowners should budget approximately 1% to 4% of their home's value for yearly maintenance costs.*** Plus, you can expect higher maintenance costs if you have dogs or two or more children.

2. Avoid underestimating your down payment. With all of the talk about down payments, it can be confusing to set aside the right amount. Firstly, ***it's best to avoid loan programs that offer a "no money down" option.*** While you won't have to place a down payment on the home, your interest rate will be exorbitant and you'll incur other costs as well.

- If borrowing from a program that isn't in compliance with the FHA, try to set aside 20% of the purchase price for your down payment. Though 10%, and in some instances, even 5% will suffice, ***you'll incur the cost of PMI.***
- PMI is an acronym for Private Mortgage Insurance. Lending institutions require buyers who provide a down payment of less than 20% to purchase PMI insurance and pay it off monthly in addition to their mortgage.
- For example, if you purchase a home worth \$150,000 and you put down only \$4,500 (3%), you'll need to purchase PMI insurance to cover the missing 17% of the down payment. In this case, the monthly PMI would amount to \$118.82, in addition to your mortgage payment.

3. Remember your closing costs. The number of novice buyers that tend to underestimate the amount needed for closing costs is astounding. Generally, closing costs will amount to approximately 3% of the purchase price of the home. However, the cost may vary.

- The most important fees that are included in closing costs are legal fees, lender fees, transfer taxes, and title policies. However, there are several other costs associated with closing on a home you intend to purchase.
- Employing the services of an experienced local realtor will not only help you accurately estimate your closing costs. But, ***your realtor will also be able to guide you toward vendors with the lowest fees (such as banks, lawyers, and more).***
- It's becoming increasingly common to negotiate into your contract that a percentage of the closing costs are to be paid by the seller. ***In some instances, the seller will be willing to pay all of your closing costs.***

Much like getting married and starting a family, purchasing your first home is a rite of passage. It isn't uncommon for homebuyers to get themselves into trouble by overextending themselves financially or choosing a home that isn't right for them.

Make the most of this joyous moment by ensuring that you're aware of all of the expenses you'll incur as a homeowner, and budgeting accordingly. If the expenses are simply too high to handle at this time, there's no shame in waiting until you're financially ready; it's the responsible thing to do.